



FINANCIAL TIMES

World News Business Summary

Jaruzelski expected to resign as Party leader

General Wojciech Jaruzelski, Poland's newly elected president, is expected to offer his resignation as Communist Party leader...

UK insurance company to pay £99m for Italian group

Royal Insurance, British composite insurer, is buying Lloyd Dalico, a general Italian insurer, for £99m...

Thatcher counter-attacks after controversial reshuffle

By Michael Cassell in London

MRS Margaret Thatcher, the British Prime Minister, yesterday issued a counter-attack on the embarrassing controversy surrounding this week's Cabinet reshuffle...

She did not expect any further significant changes in the top ranks of the Government before the next general election.

With many Conservative MPs still angry over the Prime Minister's handling of this week's reshuffle...

It was said that he intended to fulfil his role as deputy leader of the party and Leader of the Commons...

US bond prices rise amid signs of economic slowdown

By Anthony Harris in Washington, Janet Bush in New York and Ralph Atkins in London

FURTHER evidence of slower US economic growth yesterday appeared to justify the Federal Reserve's monetary easing...

DC-10 crash

A South Korean DC-10 airliner crashed at fog-bound Tripoli airport, Libya, killing 78 people...

Stealth rebuffed

The US Congressional debate over the B-2 stealth bomber has moved into a new phase...

Official Soviet unions seek to re-establish control over all strikes

By Quentin Peel in Moscow

THE Soviet Union's government-controlled official trade unions have tabled proposals which would outlaw strikes which are not approved by their own committees.



Soviet leader Mikhail Gorbachev (right) and Prime Minister Nikolai Ryzhkov...

leadership - the All-Union Central Council of Trade Unions - was out of touch with the Soviet workforce.

Bristol-Myers, Squibb join rush to merge

By Roderick Oram in New York

BRISTOL-MYERS and Squibb, two big US pharmaceutical groups, agreed yesterday to a share swap which will create the world's second biggest drugs group...

Squibb's stock rose from \$76 on June 30 to \$87 3/4 on Wednesday...

LDP may abolish tax

Japan's troubled ruling Liberal Democratic Party, which was heavily defeated in recent national elections...

Cambodians agree

Cambodia's rival leaders have agreed on a compromise seating plan which will allow them to take part in the international conference...

Palme conviction

A petty criminal who has steadfastly protested his innocence has been convicted of murdering Swedish prime minister Olof Palme...

UK Government blocks sale of 50 Hawk trainer jets to Iraq

By Andrew Gowers, Middle East Editor, in London

THE UK Government yesterday blocked an attempt by British Aerospace to sell more than 50 Hawk trainer jets to Iraq.

Shamir criticised

Hardline rivals of Israeli Prime Minister Yitzhak Shamir assailed him for meeting PLO supporters...

Mayor arrested

The mayor of Atlantic City, America's east coast gambling centre, was arrested along with 12 other people...

Khashoggi released

Saudi arms dealer Adnan Khashoggi was released from a US jail on \$10m bail despite court appeals...

UK-Argentine links

Positive signals from indirect diplomatic contacts between Argentina and Britain have raised the firm prospect of a meeting between representatives...

Greenpeace protest

Two Greenpeace ships set sail for a US offshore missile test zone in an effort to halt the launch of a Navy Trident 2 missile...

Karate on radio

Madagascar broadcasters are to learn karate after a group armed with one revolver seized the state radio this week...

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MARKETS table with columns for Sterling, Dollar, Stock Indices, and Bonds.

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Advertisement for Prime Mayfair Freehold For Sale, 21,000 SQ-FT, featuring a large image of a building and contact information.

EUROPEAN NEWS

Bridge deal appeal to Euro court

By David Buchan in Brussels

THE European Commission yesterday decided to make an urgent appeal to the European Court of Justice to order Denmark to re-open tendering for the Dkr3bn (£250m) Storebælt bridge contract.

The Commission claims that Denmark broke EC non-discrimination rules in asking bidders to use largely Danish labour, gear and materials.

The contract was awarded in June to a consortium of three Danish companies - plus Taylor Woodrow of the UK, Ballast Nedam of the Netherlands and Losinger of Switzerland - which beat a consortium led by Bouygues of France and Trafalgar House of the UK. The latter complained to the Commission.

The Commission has acted with unusual speed in an effort to have the contract reopened before work starts on the 6.6km road and rail bridge to link Sjælland to the Jutland peninsula.

Denmark has refused to change the contract, arguing that the special requirement on local content was removed from the final contract.

This is the first time such a big contract has been challenged under EC law, and is a key test for the opening of public procurement.

London and Bonn settle rows on low-flying and radar

By David Goodhart in Bonn

AN OUTLINE deal resolving two of the most serious political-military differences between Britain and West Germany - low-flying over Germany and the choice of radar system for the Eurofighter Aircraft - has been provisionally agreed. However renewed tension between Germany and its Nato partners can be expected over its withdrawal, on financial grounds, from certain collaborative military projects.

The deal over low-flying, which has involved tricky negotiations with several of Germany's Nato allies but particularly the US and UK, should be formalised at the end of August ready for Mr Gerhard Stoltenberg, the German Defence Minister, to present to the Bundestag in September.

The disturbances created by low-flying has been a concern in Germany for many years but boiled over into a hot political issue after several accidents at the turn of the year. When Mr Stoltenberg became Defence Minister in April he made the negotiations to reduce low-flying, already in progress, a priority issue and took them out of the hands of

the military. According to defence officials he has succeeded in cutting back low-flying by about 50 per cent. The maximum period of low-flying in one mission is to be halved to 15 minutes. Currently the British alone fly about 19,300 missions per year over the seven designated areas of Germany.

Most low-flying takes place at about 75 metres but some flying is allowed as low as 35 metres. Although the demand of some local authorities to ban all flying below 300 metres has been rejected it is believed that

some restriction on the very lowest flying has been accepted.

The British have been the most reluctant of the relevant allies to budge on low-flying and according to some officials they were only persuaded to accept sharp cuts in return for an agreement from the Germans on the Eurofighter radar system preferred by the British, the ECR 90. This linkage is denied by the British Ministry of Defence.

In any case a final agreement on the Ferranti-led ECR 90 system does now look set for

the end of August. The Germans had been arguing that the ECR 90 is too risky and would lead to enormous cost over-runs which their fragile defence budget could not carry.

According to Jane's Defence Weekly a recent review of that defence budget has placed a question mark over at least three big collaborative projects. It is claimed that the Germans have stopped funding the Advanced Short Range Air-to-Air Missile (ASRAAM) being developed by the UK, US and Germany. And the German role in the Nato Frigate

Replacement Programme and the Anti-Navire Supersonique missile being developed with the French is also said to be in jeopardy.

The German Defence Ministry did confirm that a review of projects was continuing and that priorities would have to be selected in September. The 1990 defence budget of DM54.47bn has risen only in line with inflation and although research and development expenditure is rising, spending on procurement is set to fall next year by 4.5 per cent.

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Balts win measure of economic freedom

By Quentin Peel in Moscow

THE SOVIET parliament yesterday gave the green light for the Baltic republics of Estonia, Latvia and Lithuania to press ahead with plans for sweeping economic self-management - but stopped short of approving a proper legal base for the process.

The move is a crucial step towards decentralisation of the economy - and a big sop towards the growing independence movements in the outlying republics. However it is also clearly a compromise, which still gives opponents a chance to hamstring the process in formal legislation later this year.

The vote came after six hours of stormy debate yesterday pitting Russians and Central Asians against the more liberal-minded Balts, and the most dedicated economic reformers.

The compromise, thrashed out by Mr Mikhail Gorbachev and his aides the previous night, was clever enough to enjoy overwhelming support from both sides.

It was welcomed by leaders of the Baltic republics as a crucial decision paving the way for their ultimate ambition of far-reaching economic independence of Moscow.

The Supreme Soviet in Moscow decided to give its blessing to the proposals by the republics for regional "cost-accounting" from January, one year before the rest of the country is supposed to go over to the system.

It means that they can have substantial independence in local budget planning, taxation, and production - within a framework still set by Moscow.

What it does not yet do - but the Baltic republics want - is give them the "economic independence" they are looking for. That is to be finalised in legislation next October.

The decision ducked the crucial questions of whether the Baltic republics will be formally the owners of their own natural resources - and therefore able to demand that Moscow industries any right to exploit them without local permission, for example.

Without a detailed law, there is no mention of whether they can go ahead with plans for their own currencies, as both Estonia and Lithuania ultimately intend.

Opponents of the process are divided between those who see it as little more than close nationalism in economic clothes, and those who want to follow the same course, and don't want the Baltic republics to have a head start.

Major figures who spoke out against the full demands for "economic independence" included Mr Vitaly Vorotnikov, president of the Russian Federation, and Politburo member.

He said the Baltic plans were contradictory, failing to clarify how factories belonging to central government ministries could be brought under local control.

● Soviet economic growth is falling behind target while wages are racing ahead of productivity and adding to inflation, Reuter reports from Moscow.

Official figures for first half of the year show labour unrest is rising while foreign trade has slipped into deficit. Wages were growing at 10 per cent a year while productivity had increased by only 2.7 per cent.

France warns laggards on road to monetary union

By Tim Dickson in Strasbourg

FRANCE YESTERDAY underlined its determination to push ahead quickly with plans for European economic and monetary union, and warned Britain that other EC countries would reach their own agreement if it rejects their terms.

In a speech outlining France's ambitions for its EC presidency, Mr Roland Dumas, the Foreign Minister, told the European Parliament he intended to set up a new group of foreign ministers' representatives to "start work without delay on the preparatory texts for the drafting of a new treaty" (on monetary union).

The principle of staging an inter-governmental conference to endorse such a treaty was approved at the Madrid summit, which also agreed in principle on the first stage of the road to monetary union mapped out in the Delors report.

The "first stage" - intended to enter force next July 1 - calls for all EC currencies to participate in the exchange rate mechanism of the European Monetary System, and for greater economic and social cohesion.

Mr Dumas has had a mixed response to his plan for a new

working group, an idea he first floated over a foreign ministers' lunch this month in Brussels. Britain's reaction was apparently the most cool but other member states are understood to have asked why preparation could not be carried forward in Brussels in the regular meetings of EC ambassadors.

At a news conference Mr Dumas repeated many of the sentiments about British reluctance expressed by President François Mitterrand in an interview with several European newspapers this week.

Mr Dumas initially appeared to take a conciliatory line -

stressing the fact that Mrs Margaret Thatcher had shown herself willing at Madrid to start work on the Delors report and to accept the first of the three stages to EMU which it outlined.

He said that he wanted the Community "to go ahead on the basis of all 12 countries" agreeing to a comprehensive and gradual process of economic and monetary union but that "if one of the 12 cannot agree, the other 11 are not going to mark time."

Asked whether he expected member states to sign a new treaty or to amend its founding

charter the Treaty of Rome, he suggested that both approaches were possible.

Among other EC presidency priorities highlighted in Mr Dumas' speech were the fight against unemployment, and the need to strike "a balance first of all between liberalisation and harmonisation" on the road to 1992.

He insisted that undertakings regarding the harmonisation of taxation on savings... will have to be completed with - a reference to the Commission's proposal for a common withholding tax on bank interest.

EC to act on tropical rain forests

By Tim Dickson in Strasbourg

AN IMPORTANT debate on how the European Community can best contribute to the preservation of the world's tropical rain forests is expected in the next few months following a new initiative in Strasbourg yesterday.

It came in the form of a "communication" to the Council of Ministers prepared by the EC's environment commissioner Mr Carlo Ripa di Meana and formally adopted by his colleagues at their weekly business meeting.

As such, the document makes no commitment on financing and indeed, the controversial idea of a carbon tax on energy consumers which was actively discussed at the drafting stage was shelved in the interests of reaching a Commission consensus yesterday.

On the other hand, the communication's reference to the "need to mobilise greater international resources for development assistance programmes in general, and for tropical forest conservation in particular" is a prompt to member states in the discussions planned for the September and November meetings of EC Energy Ministers.

Yesterday's Commission communication, which follows the concern expressed both at the EC Summit in Madrid last month and at the Summit of the main industrialised nations in Paris this month, clearly establishes the link between tropical forest destruction, man made carbon-dioxide emissions, and global environmental threats like the "greenhouse effect", the trapping of the sun's heat near the earth's surface.

By the 1980s, it explains, roughly half the tropical forests existing at the turn of the century had been destroyed, while the only formal worldwide survey of deforestation carried out in the early 1980s showed that the rate of loss of tropical forest was about 11m hectares per year (an area approximately three times the size of Belgium).

The Commission calls on the EC to "support strongly" countries trying to carry out forestry programmes, to do more through its agreement with the African, Caribbean and Pacific countries, and to work closely with the World Bank and the International Monetary Fund "to avoid financing programmes and projects likely to have a deleterious impact" on tropical forests.

Senior Commission officials are convinced that the idea of the carbon tax is not dead, and that it may re-emerge either in a forthcoming paper on energy and the environment or in future Council discussions.

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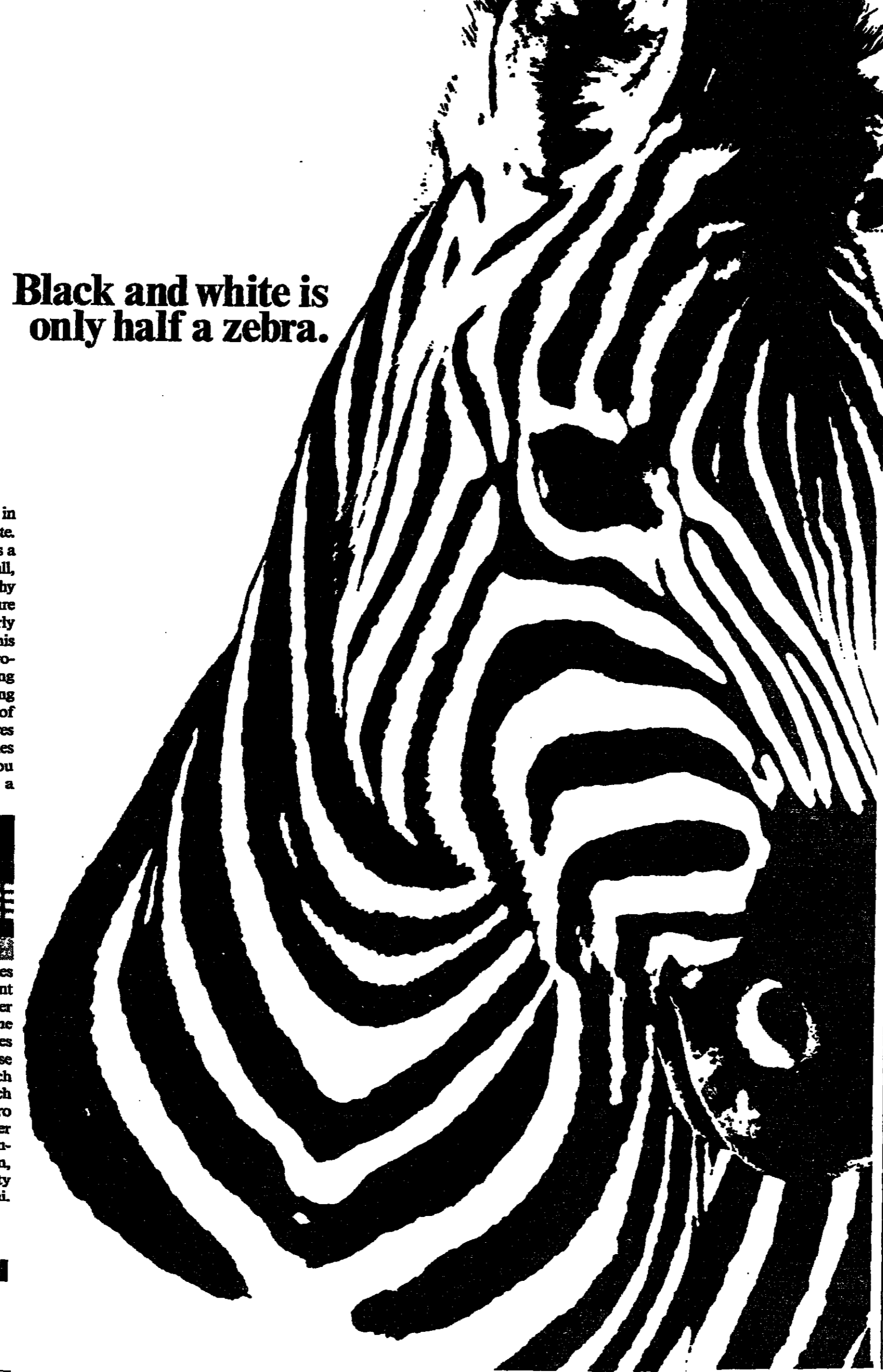
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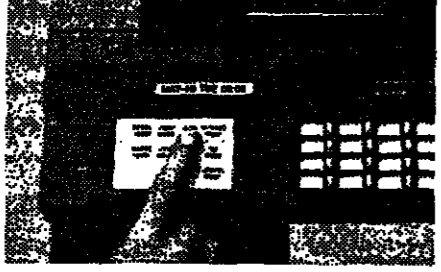
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Belgian coalition tries to hold the line on spending

By David Buchan in Brussels

THE BELGIAN Government yesterday agreed a BF190bn (£1.23bn) package of tax increases, spending cuts and debt interest deferral to try to prevent the country's public expenditure gap growing next year.

Mr Wilfried Martens, the Prime Minister, seeking to maintain public austerity despite last year's entry of the Socialists into the coalition, said the Government would hold the 1990 budget deficit (excluding debt interest charges) to BF405.5bn, the same level as this year.

Given an expected inflation rate of 3 per cent, this would produce "a real economy of the same order", the Prime Minister said. This would bring the budget deficit, again short of debt servicing, down from 6.9 per cent of gross national product to 6.5 per cent.

But plugging interest charges on Belgium's enormous public debt would still mean a further increase in the cost of debt servicing from BF441bn this year to BF512bn next year. None the less, Mr Martens forecast that from next year the "snowball effect" of cumulative debt interest could be broken, "due to the measures just decided and on condition the economy performs as favourably as predicted".

To contain the budget imbalance next year, the Government has decided to cut spending by BF30bn, with defence taking a major reduction; issue BF20bn worth of six-year Treasury bonds to banks and financial institutions instead of paying that amount due in interest next year, and to save another BF10bn in better debt management; raise excises on tobacco, alcohol and diesel and taxes on individuals by BF9bn; close tax exemptions for companies, while still lowering slightly the basic rate of corporate tax, to produce savings of BF10bn.

Published by the Financial Times (Europe) Ltd, printed by E. Hugo, Frankfurt/Main, and by F. Barlow, R.A.F. McEwan, G.T.S. Damer, A.C. Miller, D.E.P. Societas-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen. Financial Times, Number One Southwark Bridge, London SE1 9HL. © The Financial Times Ltd, 1989.

FINANCIAL TIMES, USPS No 40649, published daily except Sundays and holidays. US subscription rates \$365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER: send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Ostergade 45, DK-1100 Copenhagen-K, Denmark. Telephone (01) 15 44 41. Fax (01) 935335.

EUROPEAN NEWS

OECD annual Employment Outlook  
Slower growth in jobs forecast

By George Graham in Paris

AFTER THE strongest employment growth for a decade in 1988, industrialised nations face a slowdown in job creation and stable rates of unemployment over the next two years, according to the Organisation for Economic Co-operation and Development (OECD).

In its annual Employment Outlook the Paris-based organisation forecasts that employment will grow by around 1.56 per cent this year, after 1.8 per cent in 1988, and by 1 per cent in 1990. This will still leave more than 28m people out of work in the OECD area by the end of next year, with an unemployment rate unchanged at around 7.25 per cent.

Unemployment is projected to increase in New Zealand, Turkey and some Scandinavian countries, with declines in countries like Spain, Belgium and the UK.

	UNEMPLOYMENT RATE FORECASTS (%)		
	1988	1989	1990
Total OECD	7.3	7.0	7.25
OECD Europe	7.0	6.75	7.0
Canada	7.8	7.75	7.75
France	10.1	10.0	10.25
West Germany	7.9	7.5	7.0
Italy	11.0	11.0	11.5
Japan	2.5	2.25	2.25
UK	8.2	7.0	7.25
US	5.5	5.25	5.5

Only West Germany and Spain are expected by the OECD to create jobs fast enough over the next two years to remain on course towards the target of reducing unemployment to the level of 10 years ago; but both these countries may also see more people moving into the work-force than had been forecast, the organisation warns.

The study notes reports of skill shortages in many mem-

ber countries. In the UK and Canada labour scarcity has increased sharply since the end of the recession while in Sweden "the problem of labour shortage is pressing and immediate."

These shortages, together with the upsurge in inflation in many OECD countries, has put pressure on wages. Earnings growth is expected to accelerate to 5.75 per cent this year and to 6.5 per cent in 1990,

compared with 5.4 per cent last year and 4.5 per cent in 1987.

At the same time, productivity gains are expected to slow down, so that labour costs per unit of output will rise from 3.2 per cent last year to 3.25 per cent in 1989 and 4.5 per cent in 1990.

Noting the expansion of part-time work and of the full-time employment of women, the OECD reports says that there is some evidence that economic growth has begun to eat into the numbers of people unemployed for long periods, who have proved the most difficult to bring back into the labour market.

Statistics for 1987 show an increase in the numbers of people out of work for more than a year, but the report says that most of the countries which have figures available for 1988 show a slight reduction in long-term unemployment.

Report calls for new action on the long-term unemployed

By George Graham

A NEW RANGE of policy measures aimed at bringing the long-term unemployed back into the workforce is called for by the OECD.

"The time is ripe for major reforms and policy initiatives to reintegrate the long-term unemployed into the labour market," it says.

With unemployment remaining high despite strong growth in jobs over the past year, the OECD says member countries should act to break down barriers which stop people from taking part in the economy. This means making it easier to have a "non-standard" form of job, including part time or home-based work.

At the same time, the OECD says governments must rethink their unemployment benefit systems to make sure that income support payments are linked to some means of

reinserting the jobless in the labour market. "Simply tiding over a period of unemployment, while the skills of the jobless inevitably deteriorate, is wasteful of talents."

Mr Peter Shearer, editor of the Employment Outlook, said that while economic growth was the main factor in the variation of overall employment levels from year to year, the OECD believed that the right structural measures could improve the overall performance of a country's economy, and lower the level of unemployment at which it could continue to grow without inflation.

Better and more targeted education is also needed, the report suggests, since those whose educational qualifications are lowest are also the most at risk of unemployment. "Skill formation is the key on-

going challenge in the OECD area," said Mr Tom Alexander, head of the organisation's social affairs department.

The theory that skill requirements are rising across the board is not borne out by the evidence, the report says, but there are signs that the minimum educational threshold for breaking into the jobs market is climbing.

A general rise in educational achievement, however, might simply lead to a greater use of formal educational qualifications as a screening device, without adding anything to productivity.

Mr Shearer added that in the area of technical skills, where the most acute labour shortages were now being experienced, much of the knowledge had to be developed on the job. This meant companies had to develop their own training.

Commission threat over Enimont tax breaks

By William Dawkins in Brussels

THE European Commission is threatening to take action against possibly illicit tax breaks offered to Enimont, the Italian chemicals producer.

It believes that the company, formed last year by the merger of Montedison and the chemicals activities of Eni, the Italian state holding company, could be gaining unfair competitive advantages from a government decree that exempts Enimont from 75 per cent of its capital gains.

Sir Leon Brittan, the Competition Commissioner, has called on the Italian Government to justify the scheme, which could lead to Enimont avoiding an estimated capital gains tax bill of L825bn (£370m). The surplus arises from a revaluation of assets following the merger.

The Commission yesterday gave Sir Leon permission to open formal proceedings if Rome fails to disprove its suspicions that it is contravening EC rules against most kinds of state aid. This gives him the power to force Rome to overturn the tax decree and charge Enimont its full tax bill.

The move comes a day after the Commission announced a wide-ranging crack-down on all kinds of anti-competitive state subsidies. It also launched an inquiry yesterday into a Dutch government plan to extend and reschedule existing interest-free loans to Volvo's Dutch offshoot.

Volvo Car, 30 per cent owned by the Swedish parent company and 70 per cent controlled by Dutch public interests, would benefit from two state-sponsored funds, under the scheme. The revolving funds, worth a total of Ben42m (£632m), would provide interest-free loans to back the development of new models.

"Given that no other EC car manufacturer benefits from such a favourable financial instrument for the development of new car models, the Commission has decided to open an investigation," said a spokesman.

West Germany's economy shakes off its sluggishness

The rate of growth is confounding all the forecasts, writes David Marsh in Bonn

IS THE SNAIL turning into a racehorse? The West German economy, which only 18 months ago looked set for a period of chronic sluggishness, is surging ahead at a speed astonishing the Jeremiahs.

Structural problems - especially West Germany's reluctance to hasten deregulation and to dismantle subsidies - were worrying observers last year.

These handicaps remain, but they have been swamped by a glut of orders stemming from strong worldwide demand for capital goods. Mr Theo Waigel, the Finance Minister who took over in April, is basking in economic sangfroid.

The rays of optimism have largely been generated from outside. But there have also been encouraging signs that the backbone of the West German economy, manufacturing industry, is tackling the challenges of the 1990s with much more resilience and flexibility than seemed possible a few years ago.

Only 12 months ago, the 24-nation Organisation for Economic Co-operation and Development (OECD) forecast that West Germany's 1989 growth would slow to 1.75 per cent, less than half the rate which now looks likely.

The OECD secretariat in its annual report on the economy

warned last July that low growth risked feeding on itself, setting up a "vicious circle" of weak investment and job creation, accompanied by increased resistance to necessary structural changes.

When the OECD publishes its latest findings on the Federal Republic on Tuesday, the picture will have brightened considerably.

Benefiting from foreign demand, which will take the West German trade and current account surpluses to new records this year, as well as healthy capital spending, companies report sharply higher profits. Capacity use is the highest for 18 years - another factor behind a mini-investment boom.

Unemployment has fallen this summer to below the 2m level for the first time since 1982, although, on average, it will be around 2.1m for the whole of 1989.

The Bonn Government is forecasting 3 per cent economic growth next year - good news for Chancellor Helmut Kohl, who has to fight a tough general election at the end of 1990. This follows 3.4 per cent expansion in 1988 and a projected 3.5 to 4 per cent increase this year.

If the prediction is born out, it would represent the first time since the first oil shock in 1973 that West Germany turned in a 3 per cent-plus

growth rate for three years in a row. Even more important, 1988 would be the first year since 1973 (and only the third year since 1970) that the Federal Republic will grow at above the average of the OECD's industrialised economies.

The change in fortunes for the much-maligned "German model" has coincided with a downturn in prospects for the US and Britain, the two countries which in the 1980s most energetically hoisted the free-market banner.

Mr Siegfried Cassier, chief economist at Düsseldorf-based Industrie Kreditbank, which specialises in long term loans to small and medium companies, says West German growth would be one percentage point higher if the Government brought in further-reaching deregulation. He points out that the country has benefited from the international "drum-beat" of liberal Thatcherist economics in reviving export markets - even though this is a policy which Bonn is reluctant to practise itself.

Next year's growth is likely to be underpinned by a net DMBx of tax cuts coming into effect on January 1. The tax reduction programme bequeathed by Mr Waigel's predecessor, Mr Gerhard Stoltenberg, has been increased, partly for electoral

reasons.

It will give a useful fillip to overall European growth at a time when the international economy will be weaker because of a slowdown in the US.

Mr Ernst-Moritz Lipp, chief economist at the Dresdner Bank, talks of West Germany playing a role as a "European locomotive" next year. He points out, however, that this will depend on the domestic economy maintaining impetus when taken off the "drip" of above-average export demand.

One question-mark centres on whether the Bundesbank, the statutorily-independent central bank, will step in with significant monetary tightening to ward off dangers of over-heating.

This year's higher-than-expected inflation rate, at 3 per cent, is causing some mild anxiety. But nearly one point reflects the impact of consumer tax increases which took effect in January, which will drop out of the annual comparison in the New Year.

In view of the inflation pick-up, Mr Otto Schleich, State Secretary at the Economics Ministry, punctuates his otherwise confident analysis of prospects with a warning of a possible "wage-price spiral" after next year's metalworkers' pay round.

However, the Bundesbank has been deliberately raising interest rates in recent months to maintain what one director of the central bank calls a "stability-oriented" climate ahead of the pay negotiations. Both the IG Metall trade union and employers point to the danger of a strike next year. But labour fears that hefty pay demands would provoke the Bundesbank into organising a recession may dampen the chances of a serious pay clash.

Part of the reason for the brighter outlook is that West Germany has moved under a lucky economic star. International growth optimism, engendered by the European Community's 1982 single market programme and by East-West détente, has coincided with a period of relative weakness of the D-Mark.

Confounding the pessimism at the time of the stock market crash in October 1987, overall growth in the OECD last year topped 4 per cent, and is forecast to continue at close to 3 per cent this year and next.

Reflecting the strength of the dollar and of currencies within the European Monetary System, the D-Mark has been devalued in real terms by about 6 per cent on a trade-weighted basis since end-1987.

All this has provided the best possible combination to West Germany's exporters of cars, chemicals, machine tools and capital equipment. And, at the same time, the sluggishness of world commodity and oil prices has prevented the D-Mark's weakness from significantly boosting inflation.

The Economics Ministry is projecting a 7 per cent increase in exports in real terms this year, with imports up only 5.5 per cent - although imports should again grow faster than exports next year. As a result, the current account surplus, which was DM85.2bn in 1988, will rise to a new record this year, boosted also by rapidly-rising interest income on West Germany's burgeoning foreign assets.

Continuing huge international payments imbalances focussed on the US, West Germany and Japan provide ingredients for potential currency unrest. One anxiety haunting West German economic policy-makers over the past few years has been that a new bout of dollar weakness would choke off export growth and trigger an international recession.

The risk has not been entirely banished. But, as the sun shines on the West German economy, for the time being at least, no-one is worrying too much.

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Ceiling on borrowing raised by Congress

By Peter Riddell, US Editor, in Washington

A TEMPORARY increase in the ceiling on US Government borrowings was yesterday agreed by a key House of Representatives committee to allow federal operations to continue during the summer. The previous limit would have been exceeded during August. Congressional leaders have been wont to use Treasury requests for an increase...

Auto workers' union loses vote at Nissan US plant

By Anatole Kaletsky in New York

THE UNITED Auto Workers union suffered a humiliating defeat yesterday when it lost its first ever representation vote in a Japanese-owned US car facility by an unexpectedly wide margin. The union's organising drive among the 2,400 hourly-paid workers at the Nissan Motors assembly plant in Smyrna, Tennessee, had drawn national attention as a potential watershed in the US labour movement's attempt to reverse its historic decline.

The result vote suggested that support for the UAW had risen to a mere 30.5 per cent after the union's two-month election campaign, which was bitterly contested by Nissan. UAW organisers, who said that more workers had signed the NLRB petition than voted in favour of the union, blamed the surprising shortfall in their support on what it called the company's misrepresentation, intimidation and scare tactics. Among the company's main weapons in the campaign was a series of videos depicting violence in past union struggles. Managers suggested that workers would lose fringe benefits and might be subjected to layoffs if they joined the UAW.

Without committing the UAW to any timetable, Mr Bieber said he remained committed to work "as long as it takes" to achieve a victory against Nissan. However, the odds against the union are likely to grow in the next few years as Nissan implements plans eventually to expand its Smyrna workforce to almost 5,000. New recruits are likely to be screened on the basis of their attitudes to unions.

Argentine, UK meeting firmly in prospect

By Robert Graham, Latin America Editor

POSITIVE signals from indirect diplomatic contacts between Argentina and Britain have raised the firm prospect of a meeting between representatives of the two countries in the near future. The aim of these, the first direct talks in four years, would be to normalise diplomatic and commercial relations, which were broken as a result of the 1982 Falklands conflict. The initiative has come from the government of President Carlos Menem, which, since taking office this month, appears determined to tackle the issue by agreeing to put the controversial question of sovereignty to one side. Mr Domingo Cavallo, Argentine Foreign Minister, told the Financial Times two weeks ago that Argentina was anxious to begin a new chapter with Britain. He judged the advent of a new administration in Buenos Aires as an opportune moment. Yesterday, a Foreign Ministry official quoted by Reuters's news agency as saying: "The Argentine government has decided to begin formal talks with Britain. It is the first time Menem has asked Cavallo to start formal contacts."

Blood and terror stain the left's Shining Path

Robert del Quiaro examines the weaknesses and strengths of a Peruvian guerrilla movement

THE MAOIST guerrilla movement Sendero Luminoso, which has recently raised its activity to new and yet more lethal intensity, is so far from the political mainstream, even that of the communist left, that its true strength and prospects of power in Peru have been hard to discern. Even so, there are indications that, for all its ability to operate across the country, and increasingly in the cities, Sendero is progressing as much through striking terror and through government shortcomings, as by inspiring unforced loyalty among the people. After some 15 years of studying seminal communist texts at small universities in the central mountains of Peru and agitating among mountain peasants, the movement did not experience an armed clash until 1980. Since then, the military has been shifting thousands of people from their villages and crofts into wretched "strategic communities" which are rigidly supervised and from which pressed men and women are sent on "civil defence patrols" - peasants in front, military in the rear. Many members of Sendero are hitting back indiscriminately at groups and even whole communities of peasants believed, often on scant or tainted evidence, to be collaborating with the authorities. There have been many clear failures to take into account the fact that peasants acting for the military often do so with a gun at their backs, or at those of their hostage families. By no means all the people who have been dug out of mass graves, with placards attached to them saying they are *yanahuas* (a Quichua epithet meaning "blackheads" that Sendero reserves for supposed collaborators), were with the military by choice. This crude reaction is killing thousands of people and forfeiting the adherence of many more. Many highlanders are opposed to Sendero, whatever lip service they pay when the comrades are near. Both the military and Sendero have lost control, except at gunpoint, of peasants they had mobilised, as the violence takes its own momentum in sequences of hit-and-run vendettas with villages and roaming opportunists attacking and counter-attacking for land and flocks - as well as roads and airstrips where they can levy tolls - and to settle scores. Yet, despite its propensity for sowing confusion, the guerrilla movement - operating in a vast, remote area where they may be in coherent politicised insurrection, the next a welter of clanish skirmishing - has made progress in the last year. Sendero's strengths lie in a favourable combination of its own efforts and the deficiencies of the world it confronts. Successive Peruvian administrations, hobbled by a heavily indebted national economy, Sendero's opponents, have made a poor fist of the military and social measures they have pitted against the movement. The racist contempt felt among white and *cholo* (half-caste) Peruvians towards indigenous highlanders is given full rein by some officials and military personnel of the under-funded and demoralised local and national administration. Efforts at winning hearts and minds have been wrecked by instances of troops off the rein of accountability and killing for the hell of it. In many parts of Peru, meanwhile, Sendero has been quietly recruiting selected youngsters from about the age of 12 - bright kids with the susceptibility to ideals and excitement of those with nothing to lose - into its "people's schools" where small groups learn marxism, history, military tactics, survival on the run and first aid. The promises they hear are especially appealing in a country where malnutrition is rising rapidly and affecting some 5m of the total 22m people in Peru. The movement has been hitting much more effectively at the main arteries of the economy and government. Assassination and the threat thereof are removing hundreds of local officials, especially such experts, of whom Peru has all too few, as Willfredo Hernandez, the agronomist in charge of the Agriculture Ministry's office at Ayacucho, Sendero's core province, who was gunned down last month. In recent weeks, the movement has hit the country's main legal export, industrial metals, by convincing or convincing miners in part of the central Andes to hold a political strike for three days. Tourism and the foreign aid presence are starting to decline under Sendero's new policy of murdering lone tourists and aid workers. The vulnerability of Lima, the capital, has been underlined recently by strikes ordered by guerrillas in its food-supplying hinterland. The movement has long shown itself able to knock out Lima's electricity supply. A much stronger stronghold will be felt if Sendero interferes decisively with the sprawling desert city's complex water supply, which stretches for hundreds of miles through tunnels and pumping stations in the Andes. Any talks with Sendero by the government or mediators would need to overcome the problem of reaching its shadowy leaders. Also, it seems to have no links with more powerful sponsors or suppliers who might be induced to influence the movement. Its weapons are taken from the Peruvian military, its explosives from the country's many mines. Its funds come from kidnap ransoms, bank robberies and protection payments. However, like most other armed forces in the Andean countries, Sendero has been exempted from the temptation of living off the cocaine trade. While forcing big Colombian *narco*traffickers to pay highland Peruvian cultivators more for the coca paste they make from the raw leaf, before that goes to secret laboratories for refinement into cocaine, the guerrillas also take landing fees from traffickers who use remote airstrips to fly out the *pasta de coca*. These dollars may mean Sendero buying more sophisticated weapons, such as anti-aircraft missiles, on the international market. So Sendero's only foreign link is, like the movement itself, outside the law and not susceptible to persuasion by anything but the barrel of a gun. The hard-core militants, some with the best part of 25 years in the struggle behind them and lacking any foreign foothold to run to if defeat were imminent, can only be interested in total victory or, at least, a large role in a Peru subject to a radical redistribution of resources. For now, Sendero is building in Peru what has long been a Latin American dream of revolution: a jacquerie in the sierra, shaped by middle-class intellectuals into an alliance of communists under arms, extending to the cities through their teeming shanties - with the new fillip of a tap on the stream of cocaine-dollars.



A foreign visitor staggers away from a Sendero bus bombing

Defence debate nears climax

By Lionel Barber in Washington

THE US congressional debate over the B-2 stealth bomber has moved into a new phase, after a vote by the House of Representatives to slash funding and halt production of the radar-frustrating aircraft until the US Air Force has trimmed the \$70bn programme. House of Representatives members will soon meet their Senate counterparts, who have drawn up a defence bill which preserves most of the Bush administration's request for the mobile, multi-warhead MX missile by half, leaving only \$800m for research and development. Many members believe the MX vote will be reversed in conference in the Senate, if only because it runs against an agreement between Mr Bush and the legislative branch to keep MX funding intact, in order to strengthen the US bargaining position at the START

other high weapons projects. This week, for example, the House voted to cut almost \$2bn from the \$4.9bn requested by the administration for the Strategic Defence Initiative (known as Star Wars); the Senate version includes \$4.5bn (though a much-favoured amendment provides for no more than an inflation increase, to \$4fm). House members also unexpectedly voted to cut the administration's request for the mobile, multi-warhead MX missile by half, leaving only \$800m for research and development. Many members believe the MX vote will be reversed in conference in the Senate, if only because it runs against an agreement between Mr Bush and the legislative branch to keep MX funding intact, in order to strengthen the US bargaining position at the START

arms talks with the Soviet Union. Others point to several other House votes on Wednesday which showed efforts to kill the B-2 were overwhelmingly defeated. Also, there was fairly strong support for the administration's argument for full funding of \$4.7 bn. The upshot is that the game is by no means lost for Mr Bush. However, his effort to place greater emphasis on modernisation of the strategic triad of land, air and sea-based nuclear forces - at the expense of job-preserving weapons projects favoured by Congress - is getting harder and harder to pull off in an era of shrinking defence budgets. Next year will be even tougher.

FAG Kugelfischer Continued investment in quality

Maintaining and improving the Company's performance were also the principal targets of our business policy in 1988. We have adopted quality thinking as the comprehensive concept for further increasing the high precision and reliability standards of our products, and, what is more, for achieving optimum results throughout the Company. This quality thinking is firmly rooted in our Company. Quality planning: Computer-aided systems are constantly monitoring compliance with specifications, right from the planning stage of the products. Quality inspection: Products and production are accompanied by inspections, ranging from the inspection of incoming raw materials to the final inspection of the finished product.

Quality control: Quality control systems ensure that deviations from standard product quality and processes are quickly identified and eliminated. Quality in service: Our services include technical problem solutions, conscientious order processing, and efficient customer support. Quality promotion: Open-minded and well-trained employees throughout the organization are aware of their responsibility for quality. Training in the specifics of job profiles adds to their motivation and competence. Quality boosts performance: The Company's total operating performance in fiscal 1988 rose by 8.5%, and both productivity and earnings improved significantly compared to the previous year. A large part of 1988's sizeable capital investments was funded from internal

sources. The Parent Company's cash flow continued to increase. We are currently working at full capacity. Our capital spending is designed to enhance the Company's competitive strength. Our 1989-1994 spending plan for the Group, which calls for outlays of some DM 2 billion, shows that we are pursuing this goal in a consistent manner. At their Annual Meeting on July 27, 1989, the shareholders adopted the General Partner's proposal to pay a dividend of DM 7 per share on common stock and a dividend of DM 8 per share on preferred stock. They also authorized the Managing Board to increase the capital stock by DM 60 million. Copies of the Annual Report are available from: FAG Kugelfischer Georg Schaefer KGaA, K-F Postfach 12 60, D-8720 Schrobenhausen.

Financial statements for FAG Kugelfischer for 1988. Includes Balance Sheet (in millions of DM), Income Statement (in millions of DM), and Net Income for the year. Data is presented in columns for KGA and Group. Net income for the year is 40 million for KGA and 83 million for the Group.

US drug curb role

A DIRECT role for US troops in Latin America is one option in a Defence Department paper on stemming the flow of cocaine into the US from South America. AP reports from Washington. The list of scenarios, including direct action by US elite military units, will be included in a strategy to be released on September 5. Mr William Bennett, co-ordinator of the US effort to halt drug smuggling.

J.F. PACIFIC WARRANT COMPANY S.A. Société Anonyme. 2, boulevard Royal, L-2953 LUXEMBOURG. Notice of a Separate Class Meeting of the holders of ordinary shares of a par value of US\$ 2 each ('Ordinary Shares') in J.F. Pacific Warrant Company S.A. (the 'Company').

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صحة من الامم

WORLD TRADE NEWS

Cocom eases controls on computer sales

By George Graham in Paris

WESTERN nations have agreed on a far-reaching liberalisation of controls on shipments of personal computers to the Soviet Union and members of the Warsaw Pact.



Richard Cheney: decision will boost Soviet capability

The ruling, to take effect from August 15, will make it possible for Cocom members to export most 16-bit microcomputers to the Soviet Union and Eastern Europe, though 32-bit machines will remain under embargo.

This should result in significant liberalisation for these desk top, over the counter, widely available machines. Mr Allan Wendt, senior representative for strategic technology policy at the US State Department, said in Paris yesterday.

The US Commerce Department has announced it was lifting restrictions on exports of these computers to other Cocom countries, since it had found that they were widely available from other sources. This decision was, however, contested by Mr Richard Cheney, the Defence Secretary, who said that the decision would give the Soviet Union significant new capabilities.

Some industry analysts, however, believe that the relaxation of controls on the AT range, whose technology is now around four years old, will offer little additional opportunity for US computer manufacturers to boost their exports. Computers based on the 386 chip, including those made by Compaq and IBM, as well as most of the Macintosh range, will remain under embargo.

Some European countries had pressed for a much greater liberalisation, and the final Cocom decision represents a compromise with the tougher US position.

Mr Wendt said that the US

wanted "to control only what needs to be controlled on strategic grounds, no more and no less," but that it was determined to protect its security by maintaining the West's technological advantage over the Warsaw Pact.

He added, however, that the process of updating the control lists was vital if Cocom's credibility were to be maintained.

"If the lists are bloated with outdated items, then you don't get effective enforcement," Mr Wendt said.

The US would also continue its efforts to liberalise exports of sensitive technology to other Western nations, he said, with the aim of phasing out almost all licensing requirements for dual use products, with both civilian and military applications.

Many countries, such as the UK, have a broad system of general export licences which places little or no restriction on shipments to other Cocom member countries, but the US still requires specific licences.

Mr Wendt said Cocom members were agreed that earlier liberalisation of controls on technology exports to China should not be reversed in the light of the recent repression by the government of the student demonstrations in Peking, but that there should be no further liberalisation for the time being.

Gatt agrees phased plan on liberalisation

By William Dullforce in Geneva

THE 96 member countries of the General Agreement on Tariffs and Trade yesterday backed a three-phase plan designed to ensure the success of the Uruguay Round of trade-liberalising talks.

They also accepted an invitation from the European Community to hold the final meeting of trade ministers in Brussels between November 26 and December 8, 1990.

By taking these decisions in the trade negotiations committee (TNC), the Round's govern-

ing body, governments had reached the point of no return in the most ambitious attempt so far to reform and extend the multilateral trading system, Mr Arthur Dunkel, Gatt's Director General, said. "We are now doomed to succeed," he added.

Doubts concerning the possibility of the talks has been widespread since trade ministers encountered an impasse over farm trade reform at their mid-term review of the scheduled four-year Round in

Montreal in December.

Mr Warren Lavorel, US trade talks coordinator, yesterday sought to lay to rest doubts concerning the Bush Administration's commitment to the Round, by underlining in the TNC the administration's intention of seeking solutions to its most vexing trade problems through the Round.

Confidence in the outcome started to revive in the last few weeks with countries submitting detailed proposals for reforms in key areas such as

agricultural trade, subsidies, intellectual property rights, textiles and safeguards - temporary protective measures allowed under Gatt against sudden surges in imports.

However, under Mr Dunkel's plan, governments will now be expected to stake out their positions in all 15 negotiating groups between the resumption of the talks in September and the end of the year.

Japan has sent invitations for an informal meeting of trade ministers from some 20

main trading nations in Tokyo on November 16 and 17. This is seen as an opportunity for giving further political impetus to the talks.

The period between January and July or August next year will be devoted to deal making in the groups and to the writing of draft agreements, leaving the time from September to the trade ministers' meeting in Brussels for settling outstanding difficulties and putting agreements into legal shape for implementation.



Dunkel: "We are now doomed to succeed"

A change of mood for purely practical reasons

William Dullforce on the Gatt nations' steady progress towards the liberalisation of world trade

PROSPECTS of bringing the multilateral talks on the liberalisation of world trade to a successful conclusion by the end of 1990 have clearly improved.

Yesterday's commitment by the Uruguay Round trade negotiations committee to a date for the final meeting of trade ministers, and its acceptance of a three-phase plan for reaching that rendezvous with a package of agreements, reflects a change of mood from the gloom earlier this year.

The setback over how to define the objectives for farm trade reform at the ministers' mid-term review of the Round

in Montreal in December, which threatened to stall the whole process, was resolved in April but several developments since then allowed negotiators to go into their summer recess yesterday in a much more spirited frame of mind.

Among these developments has been the Bush Administration's decision, after some initial delay and considerable ambiguity over its intentions, to reassert US commitment to finding multilateral solutions to trade problems and in particular to devote energy and resources to the General Agreement on Tariffs and Trade's Uruguay Round.

Second has been the European Commission's drive to sort out differences among the Community's 12 members, so that it can submit detailed proposals to the negotiating groups in Geneva. Its blueprint for the reform of world trade in textiles and clothing, tabled last week, is an instance of the effort being made in Brussels.

The two biggest trading blocs have strictly practical reasons for accelerating the trade talks. The Bush administration has to notify Congress by March, 1991 of success in the Uruguay Round. Otherwise it would have to seek a three-year extension of its negotia-

ting authority, which Congress is unlikely to accord.

Among the spate of proposals to the 15 negotiating groups over the past few weeks have been several well thought-out contributions from developing countries. The Third World is no longer acting as a monolithic bloc; countries, such as Korea, Mexico and Chile, are more carefully defining their individual interests and acting to win advantage in them.

The result has been the emergence among Gatt's 96 members of a core of 30-40 countries, bridging the old north-south divide. Between them they account for some 85

per cent of world trade. They have diverging trade interests but are finding they have a common interest in securing further trade liberalisation.

Scepticism about Washington's intentions remains strong within this group. Many governments still see unilateral US trade action based on the Super 301 clause of its new Trade Act as a major menace to the Round. Japan, Brazil and India have refused to enter bilateral talks called by the US under 301 and under the threat of retaliatory US action.

In the agriculture talks, Washington and Brussels are promoting different

approaches, the US having tabled a plan for converting import barriers into tariffs and then reducing them, while the EC wants liberalisation based on an aggregate measure for all farm supports. The Cairns group of 13 farm-exporting countries is working on a proposal to submit in September.

Even in the talks on intellectual property, the filibustering has stopped with the tabling by India of a cogent statement of its opposition to the big trading powers' thrust for stricter rules. All in all, therefore, the more hopeful climate prevailing in Geneva has some grounds in reality.

Hitachi to sell chip technology to South Korean group

By Stefan Wagstyl in Tokyo

HITACHI, the Japanese electronics group, is to sell semiconductor manufacturing technology to Gold Star, the South Korean group, in the first technology transfer of its kind between a Japanese semiconductor maker and South Korea.

Under the agreement Hitachi will show Gold Star how it makes one megabit dynamic random access memory (DRAM) chips. Gold Star will use the technology to help develop its own 4 megabit and 16 megabit DRAMs - the new two generations of chips, which Japanese companies themselves have yet to start mass-producing.

The deal highlights the increasing ability and willingness of Japanese groups to sell technology overseas. Once condemned as industrial copy cats, they have in recent years developed ideas ahead of rivals in other countries.

They are exporting these ideas for three main reasons: to gain lucrative royalties; to cement trading relationships and to ease international trade disputes, especially in the case of technology transferred to the US.

"20 years past, Japanese companies began with foreign technologies and improved them; today they compete quite effectively with home-grown know-how," said a report published last year by the Office of Technology Assessment of the US Congress, which was examining advances in superconductors. Japanese and US scientists argue over which country is ahead in a particular scientific field - but broadly speaking Japan has invested heavily in a few narrow areas - including superconductivity - while the US has the greater all-round skills.

However, there is no doubt that in product development, particularly in the all-important electronics industry, Japan has the upper hand.

In the mid-1980s just 2 per cent of all US patents were issued to Japanese. Last year it was 20 per cent. The usefulness of Japanese patents has also multiplied - as measured by the number of Japanese patents which are cited in later patent applications.

As a result of improving technology, Japan's deficit in technology trade - royalties, licenses and related fees - has been closing. Imports have risen from \$2.7bn in 1970 to

\$3bn in 1985, in constant prices according to US government figures. Exports have grown from \$570m to \$900m over the same years. The Economic Research Institute of G. Bach, the Japanese trading house, has forecast that by the mid-1990s the gap could disappear.

So far, most Japanese technology transfers have been to the US and to Europe, often by companies wanting to avoid being accused of running technological monopolies. This is particularly true in semiconductors, where the US accused Japanese companies of trying to drive American groups out of business by unfair means. This dispute led to the 1986 US Japan Semiconductor Agreement, which was a step towards creating managed trade in semiconductors. In order to ease tensions, Japanese companies have developed close links on technology sharing with American companies - Toshiba with Motorola, Hitachi with Texas Instruments, and Matsushita Electric with Intel. The last two deals were signed this year.

Meanwhile, South Korea is increasingly anxious to acquire first-rate technology from industrialised countries - and those countries are willing to provide this in return for better access to the South Korean market.

Memories of the Japanese occupation have persuaded some South Koreans to avoid dealing with Japan. But most companies have long put their business interests first. These groups have often recruited Japanese engineers for post-retirement jobs, or for weekend moonlighting contracts. But increasingly they are upgrading their contacts to full-scale company-to-company technology transfers. The Japanese Ministry for International Trade and Industry says that in 1987 (the last year for which figures are available) 616 cases, worth Y27.5bn, of technology transfers to South Korea were second in value only to the US, which bought Y65.9bn of Japanese technology.

Recent cases include the sale of manufacturing technology for optical compact disc pickups by Mitsubishi Electric to Goldstar Electric; Sanyo Electric's sharing of information on plain paper copiers with Samsung Electronics and the sale of welding-robot technology by Fanco to Daewoo Heavy Industries.



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UK NEWS

Change to four lanes 'could ease M25 congestion'

By Kevin Brown, Transport Correspondent

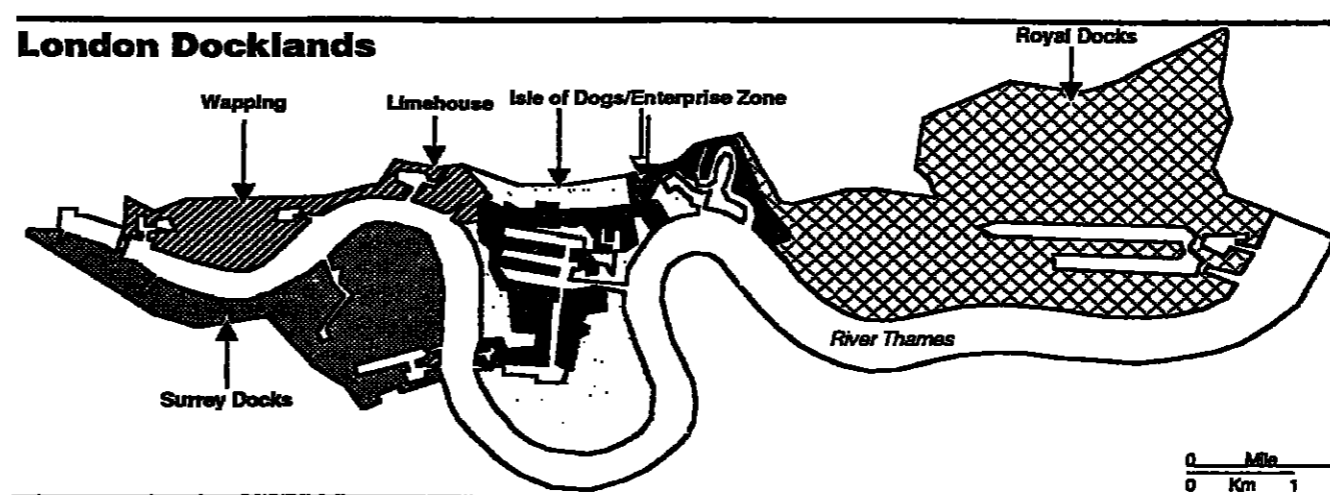
ROAD MARKINGS on the busiest parts of the M25 London orbital motorway should be changed from three standard-size lanes to four narrow ones to ease congestion, an independent report suggested yesterday. The report, commissioned from the transport consultants Rendel Palmer & Tritton by the Transport Department, says the M25 has fulfilled its purpose of taking traffic away from central London and surrounding towns and villages. However, "unprecedented sustained economic growth" has also led to a rapid rise in vehicles using the road, which could not have been foreseen when it was designed and built. The report says most of the M25 will have to be widened to four standard lanes within ten years to deal with congestion. Narrow lanes would help solve the immediate problems in the worst affected sections, some of which are handling double their design capacity of about 70,000 vehicles per day. "The offside, or "fast," lane would be for cars only, and there would be a 50mph limit on the four-lane sections. The report says a review of orbital roads inside and outside the M25 should be launched to improve alternative routes, and calls for a range of traffic management measures to speed vehicle flows.

M25 Review: Summary Report. HMSO, 25.70.

Docklands yuppies are beached for the duration

Andrew Taylor on how the decline in property values has devalued what seemed sound investments

THE MAN from the local authority called as we were being shown around the flat overlooking the former India Mill Docks. The wharves which once housed cargo vessels from all over the world now provide moorings for the rich, and would be rich, to tether their boats. The rates on the flat, like the mortgage, had not been paid and the man from Tower Hamlets council was checking to see the property really was empty. The one-bedroom flat had been bought a year ago for almost £33,000 by a "young man employed in the City", according to the estate agent trying to sell the flat, which had been repossessed by a building society.



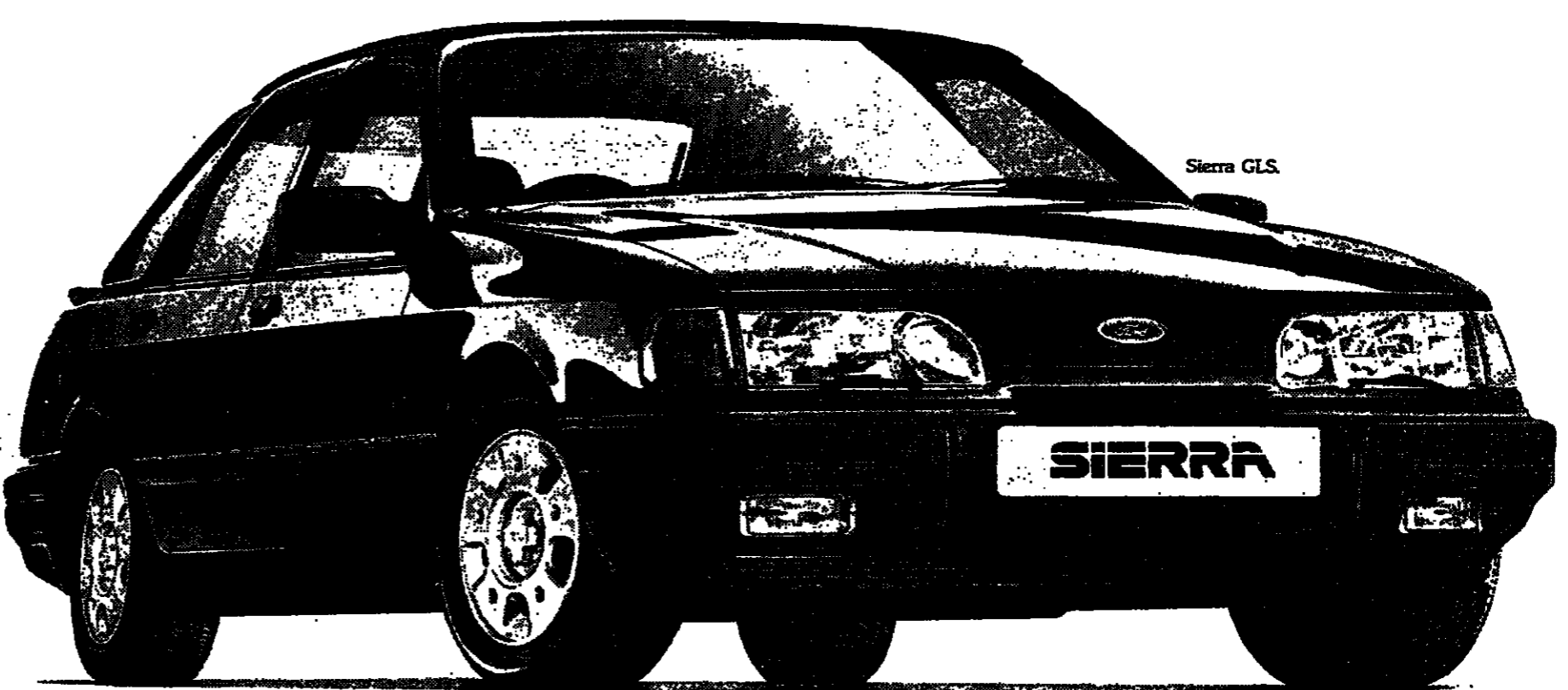
It is currently on the market for just over £31,000 but is likely to go for less. The original buyer, after solicitors and estate agents fees, is likely to have lost at least £5,000, unless the society finishes by footing the bill. Stories like this are common in London's former Docklands. Two years ago this was one of Britain's fastest growing housing markets - but it was stopped dead in its tracks by the stock market collapse in October 1987. On Wednesday Kentish Property Group, heavily involved in residential development in

Docklands, sought protection in the courts from its creditors by applying for its affairs to be run by an administrator under the 1986 Insolvency Act. The group's shares were suspended last week at 61p, valuing the company at just over £10m. The shares peaked at 342p five days before the stock market crashed. Part of the strength of the Docklands market, up to that time, was the perception that City stockbrokers and currency dealers, their pockets stuffed with cash, were flocking to buy cheaply priced homes on the Isle of Dogs to

and leisure centre on the Isle of Dogs, its last balance sheet showed shareholders funds of £12m. One of the company's most spectacular Dockland developments was Cascades a large apartment block on the Isle of Dogs. Before the stock market crash some of the flats in Cascades had been sold several times over before they were completed and the first owner moved in. The flats were not to live in but to sell profitably. When the housing market fell, some Docklands buyers preferred to forego deposits of 10 per cent rather than com-

plete purchases and be faced with the problems of finding a buyer. Some probably could not afford the property in the first place but had hoped to make a quick resale profit. "The problem with Docklands was that it became terribly over-heated by all the talk of yuppies and Porsche-driving City brokers bidding up prices which at one stage were approaching those in Chelsea and Knightsbridge," says Mr Clapham. "Prices and sales will recover. There are still a lot of attractions to living here. It is still quicker to get to the City from Docklands than from a comparable distance to the west of London." According to the London Docklands Development Corporation, the proportion of privately owned homes in Docklands since 1981 has risen from 5 per cent to more than 44 per cent due to a combination of new development, flat conversions and council house sales under the right-to-buy legislation. This has not proved popular with all local residents, judged by graffiti such as "Yuppies Out" and "Class War" which still appear on walls and buildings. Perhaps most sad of all is the former dockworker who hates the massive redevelopment taking place in the docks but is unable to find a buyer for his home so he can move away.

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Table with 4 columns: Cash Price (incl. delivery), 2.9% (5.6% APR), 5.9% (11.4% APR), 6.9% (13.2% APR). Rows include Initial Payment, 24 Monthly Payments, Charge for Credit, Total Credit Price.



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## UK NEWS

# Poison food cases prompt wider legislation

GAPS in British legislation designed to protect consumers from unfit and contaminated food are to be filled by new legislation which will be introduced as soon as parliamentary time allows, writes Christopher Parkes, in London.

Plans unveiled in a White Paper (policy document) published yesterday, include the compulsory registration of premises selling food and increased powers for trading standards and health officers.

Plans for new legislation have been pulled together in the past few months following a series of food poisoning out-

breaks caused by various salmonella organisms, and the release of official figures which show the number of incidents increasing rapidly.

Broadly, the proposals appear designed to plug gaps in existing laws to ensure that the entire food chain is covered by legislative controls. The main impact of the measures will be to impose enforceable controls on food before it reaches the shops and to allow suspect supplies to be withheld by trading standards or environmental health officers while investigations take place.

Food premises will have to

be registered in future to help local authorities fulfil their enforcement role. Laws will also be adapted to allow officials to shut shops and cafes that present a health risk more quickly than at present.

Ministers will be given powers to issue emergency orders to deal with potentially serious problems such as accidental contamination, Mr John Gummer, Minister of Agriculture told the House of Commons yesterday.

Health officials will be able to control contaminants and residues which may arise from bad practices on the farm or in

food manufacture. The legislation will also enable ministers to establish training requirements for people handling food commercially.

This might greatly increase the cost burden on manufacturers, distributors and retailers. It could also complicate their already substantial difficulties in finding and keeping staff.

Consumer representatives and health and trading standards officials gave a mostly guarded welcome to the food proposals. However, the Consumers' Association described the document as verbose,

self-satisfied and full of half-truths.

"You would never believe that the Government had failed time and again to tackle food crises swiftly and effectively," said Mr Derek Prentice, head of campaigning.

Lord Ezra, president of the Institute of Trading Standards Administration, said the document was a step in the right direction, but the Government's resolve would be measured according to its willingness to make available funds for local authorities' enforcement efforts.

Analysis, Page 11

## Hundreds of workers abandon ports strike

By Michael Smith

THE FUTURE of the national docks strike is in the balance this morning after hundreds of dockers at Britain's biggest port returned to work yesterday and others in the country are preparing to follow.

Although there will be strong calls at a national dockers' meeting this morning for abandoning the strike, Mr Hon Todd, general secretary of the TGWU transport union, was thought last night to be considering ways of maintaining the action.

One possibility is that the national strike will continue but that dockers will be given dispensation to hold local negotiations in individual ports.

Such a formula would help the union and dockers to save face, although it would be an acknowledgement that the aim of the strike — negotiating a national deal to replace the abolished National Dock Labour Scheme which regulated employment and conditions in most British ports — was unachievable.

However, dockers' leaders will be under pressure to call an orderly return to work by strikers.

Some union officials fear that the unco-ordinated drift back to work at ports during the last few weeks means it will be extremely difficult to establish any semblance of common terms and conditions at ports.

The London port of Tilbury said yesterday that all 493 former registered dockers who were asked to return to work under new contracts had done so yesterday.

The port is Britain's biggest and its dockers were among the staunchest in favour of the strike.

Their resolve was broken after management threats this week that they would lose both their jobs and redundancy packages of up to £25,000.

The National Association of Port Employers (Nape) said yesterday that 2,542 former registered dockers had left the industry and taken voluntary redundancy, 4,247 are still on strike and 2,432 are working.

## Britons simmer through long, hot summer

Temperatures are wearing thin, but sales are building up, reports Christopher Parkes

SUMMER shortages, the predictable result of Britain's unpredictable weather, are beginning to bite. Cows are short of grass; soft drinks canners are filling three shifts a day and still not meeting demand; the retail group Marks and Spencer has sold out of filmy summer gear; and the people are running out of patience.

Relate, the 1980s version of the Marriage Guidance Council, reports a sharp drop in tolerance levels and a 15 per cent increase in inquiries from distraught partners at a time when business is normally quietening down before the summer break.

The explosive combination of high temperatures and frustration among strike-hit commuters may, however, be defused by offering the wild-eyed fiend arriving home from work "a little space and a long, cool drink," Relate advises.

The hottest summer since 1976 has brought out aphids and statistics in record numbers.

ICI, Britain's biggest chemicals group, has pumped up pesticide output four-fold and still cannot cope. Coca-Cola & Schweppes Beverages says demand in the past two months has been 20 per cent higher than forecasts which had already allowed for increases of up to 15 per cent on last year.

Like Britvic, its arch-competitor, it has been shipping extra gallons from continental Europe. Ferrier, the mineral water bottler, reports some



Children on a London street take advantage of a chance to cool down at a public water hydrant

feared shortages in the UK, but claims that Source Perrier, fount of all supplies, flows undiminished.

Birds Eye Wall's, ice cream market leader, is too hot and bothered to count the latest tally, but by the end of June sales were already 20 per cent ahead of target.

Like its rival, Lyons Maid, the Allied-Lyons subsidiary, it reports even greater sales of "impulse" ices — hand-held products which children tend to regard as skin treatments rather than foodstuffs. Lyons says sales of ices in the week

of July 14 were 94 per cent higher than in the same week last year.

The Allied part of the group, one of the biggest brewers in the country, claims beer sales only 7 to 8 per cent ahead of last year and Whitbread reports a 5 per cent increase in the past two weeks. Pubs, however, are packed, and while drinkers may be increasing their alcohol intake only modestly, strong sales of low-alcohol beers and soft drinks are being recorded everywhere.

Farmers, renowned for their sunny optimism, are starting

to feed cattle on last year's left-over silage as pastures wither, and are concerned that they may have to let them eat cake and other expensive manufactured feed.

Some spring barley crops have been ploughed into the fields because lack of moisture led to poor germination, but there is consolation to be found in the higher prices already being offered by maltsters fretting about shortages.

Plum lovers should be warned that the crop is sparse and although apple orchards are bowed under a profusion of

fruit, there is concern over the risk of scald, the apple's equivalent of sunburn.

Holidaymakers, already deterred from travelling abroad by airport delays, have been further encouraged by the fine weather to cultivate their tans in the UK. The English Tourist Board reckons July bookings could be 20 per cent up on last year.

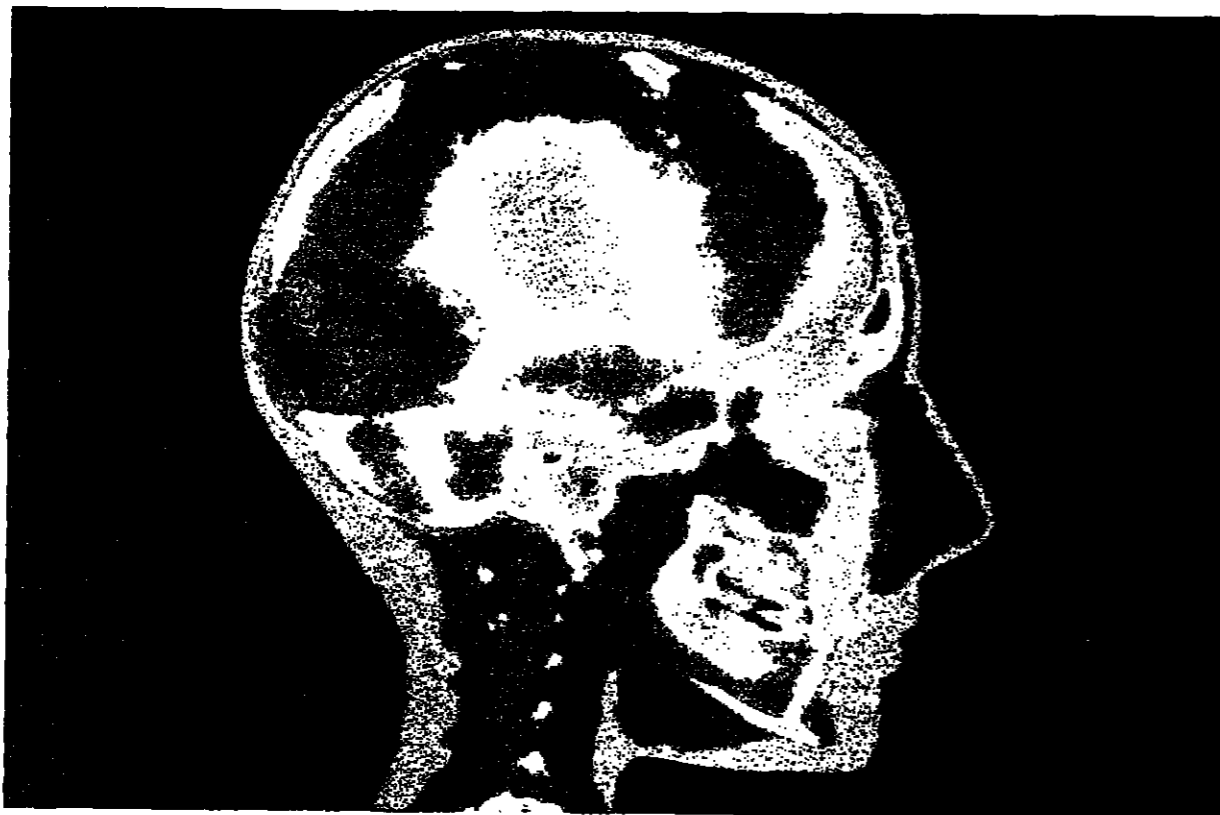
Wherever they have been in search of relaxation, trippers with long memories may return in a state of some tension, concerned about the condition of their homes. Insurance claims paid to repair damage to houses caused by subsidence rose from 4,000 in 1975 to 21,000 in 1976. Houses underpinned then, or those built since to tighter regulations, should present no problems. In any case, the Building Research Establishment says, conditions are not yet as severe as in 1976.

Should any cracks appear, homeowners are advised not to panic; many will close up naturally once normal moisture levels are restored.

This is much the same advice as the hard-pressed counsellors at Relate have been offering their overwrought clients — and will be offering again when the summer holidays end.

One of Relate's more predictable peaks routinely appears in September, when couples stressed beyond bearing by the pressures of spending a fortnight's holiday in close proximity to one another, come in search of guidance.

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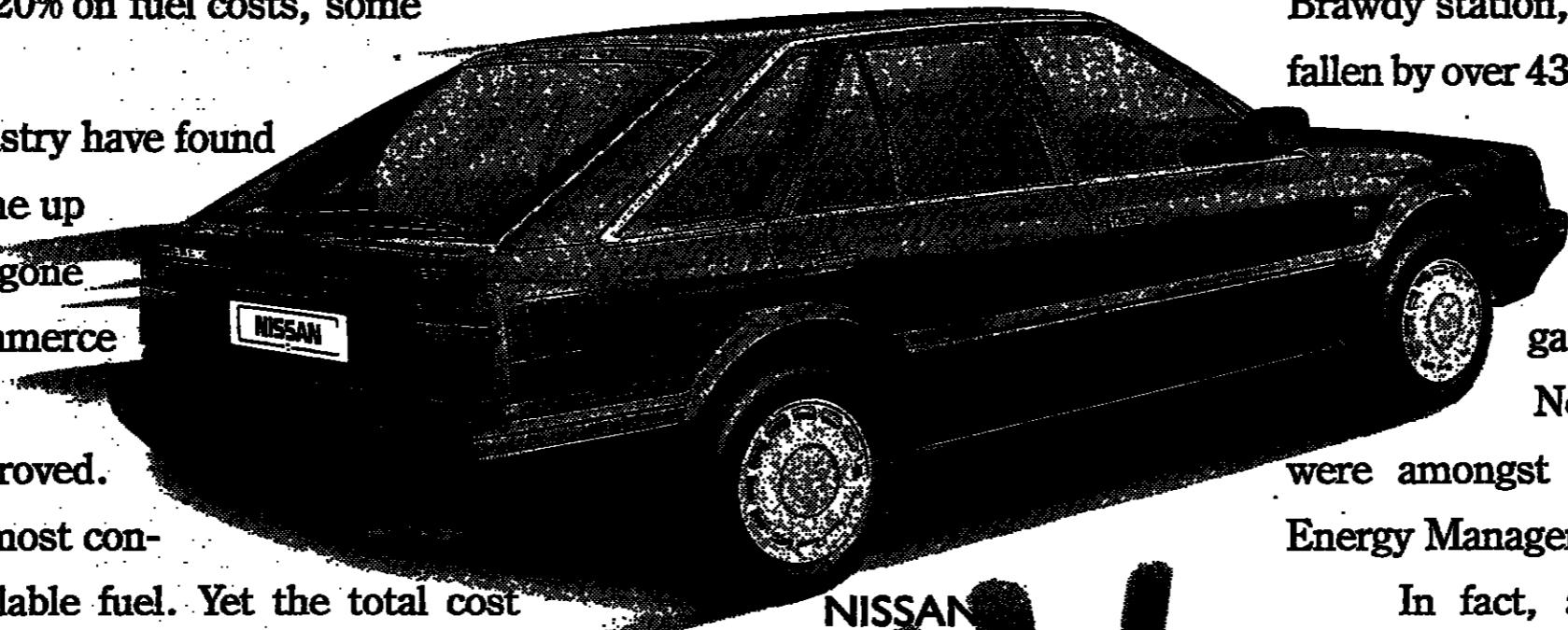
Take British Aerospace, for example. As part of a major modernisation and expansion programme at Dunsfold, they replaced their central oil and

coal-fired boiler plant with dispersed gas heating equipment.

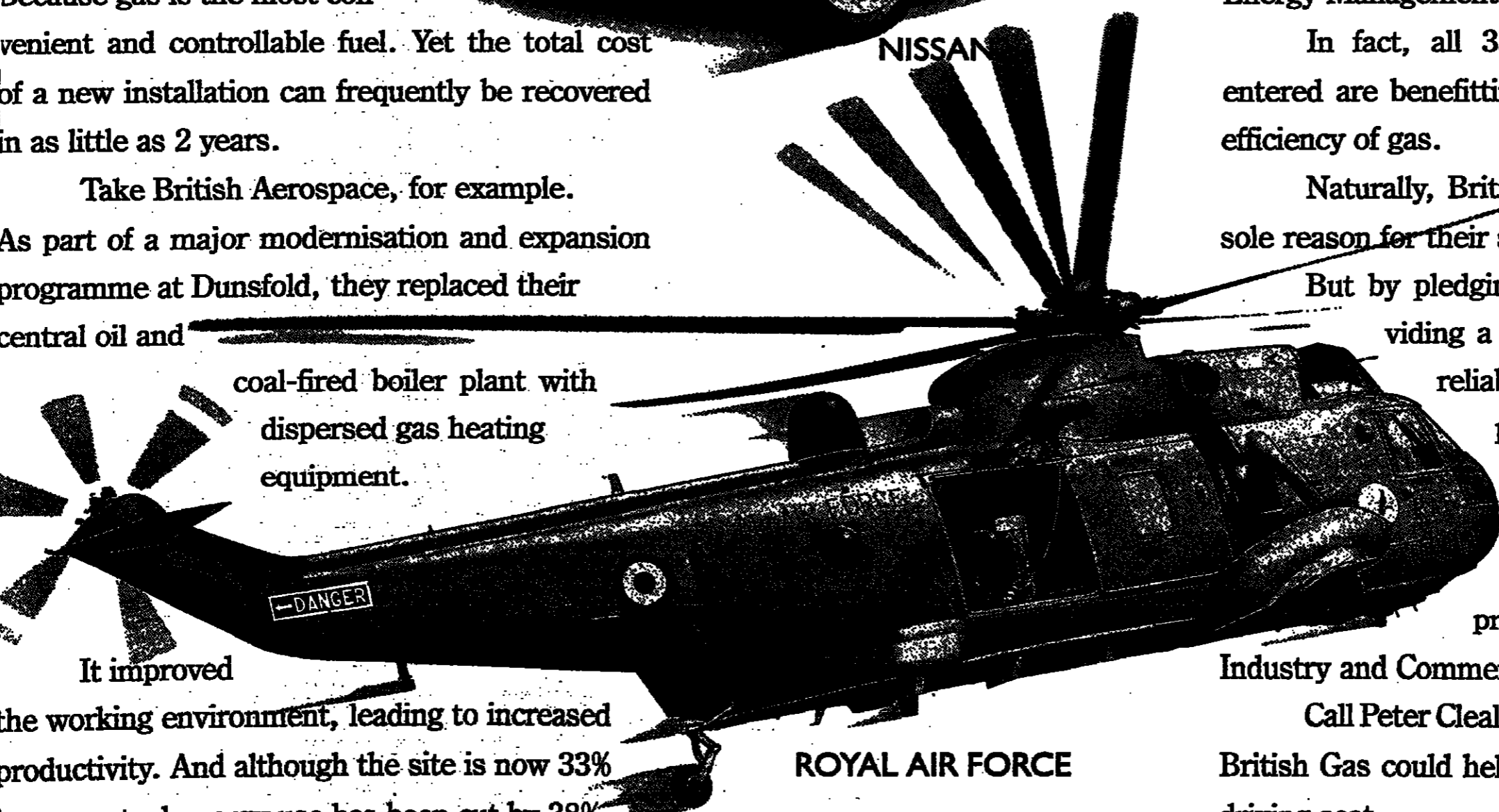
It improved the working environment, leading to increased productivity. And although the site is now 33% larger, actual energy use has been cut by 38%.



BRITISH AEROSPACE



NISSAN



ROYAL AIR FORCE

To guarantee high quality cars, Nissan demanded high performance from their suppliers for their brand new Sunderland factory. Using gas for their heat energy source, they were able to design superb facilities for production and an excellent working environment, as well as saving an estimated 500,000 therms a year compared with other systems.

And in the case of the RAF's Brawdy station, energy use has fallen by over 430,000 therms a year,

a saving of 31%, by replacing two centralised oil-fired boiler houses with localised gas boilers.

Not surprisingly, these companies were amongst the winners of this year's Gas Energy Management Awards.

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Cash management

# Ready access and limited risk

What to do with their enormous liquidity is a challenge facing many West German companies. Haig Simonian finds that anything less than conservative is generally considered anathema

One thing West Germany's biggest companies are not short of is cash. According to a senior Bundesbank official, 98 per cent of corporate investment last year was financed by companies' own funds, with a mere 2 per cent coming from outside sources like bank loans.

German laws, which allow companies to use pension fund contributions to finance their investments partly explain their present independence from their banks. And last year's favourable economic climate, which is now being reflected in a string of corporate results, boosted profitability and helped to build up corporate cash mountains, ranging from the DM24bn Everest at Siemens to around DM15bn at Daimler-Benz and DM6bn at BASF.

But what do leading German companies do with their money? US and UK critics often accuse the "ultra-conservative Germans" of simply squirrelling away their growing liquidity in risk-free long-term domestic government bonds, which they then forget about until maturity.

"Riskier" alternatives, such as foreign currency investments, property or even domestic equities are spurned, despite the higher rewards often available, it is claimed. And derivative instruments like futures and options, which could be used either for speculation or just hedging, are said to be anathema.

Siemens, the electrical and engineering giant, is often singled out for such attacks on account of its massive liquidity, sluggish internal growth, and until its joint bid with General Electric Company for Plessey, its aversion to any form of hostile takeover.

While German companies are undoubtedly more cautious than their UK or US counterparts, the evidence points to their not being as conservative as their foreign critics suggest. And Siemens turns out to be one of Germany's most enterprising groups when it comes to managing its money.

Ronald Schmitz, the highly-regarded 51-year-old finance director of BASF, Germany's biggest chemicals group, says he has three maxims regarding liquidity management: money is invested only in Germany, only in D-Marks and only in instruments which allow maximum ease of access at short notice.

That could be a credo for much of corporate Germany. International experience and

increasing financial sophistication notwithstanding, most German financial executives in the corporate sector prefer to stick to their domestic currency.

The preference is hardly surprising. Big German corporations have become increasingly active abroad, but the bulk of their industrial investments remains domestic - requiring DM funds. And the domestic currency is still the one most closely followed and best understood by corporate treasurers, however gifted linguistically.

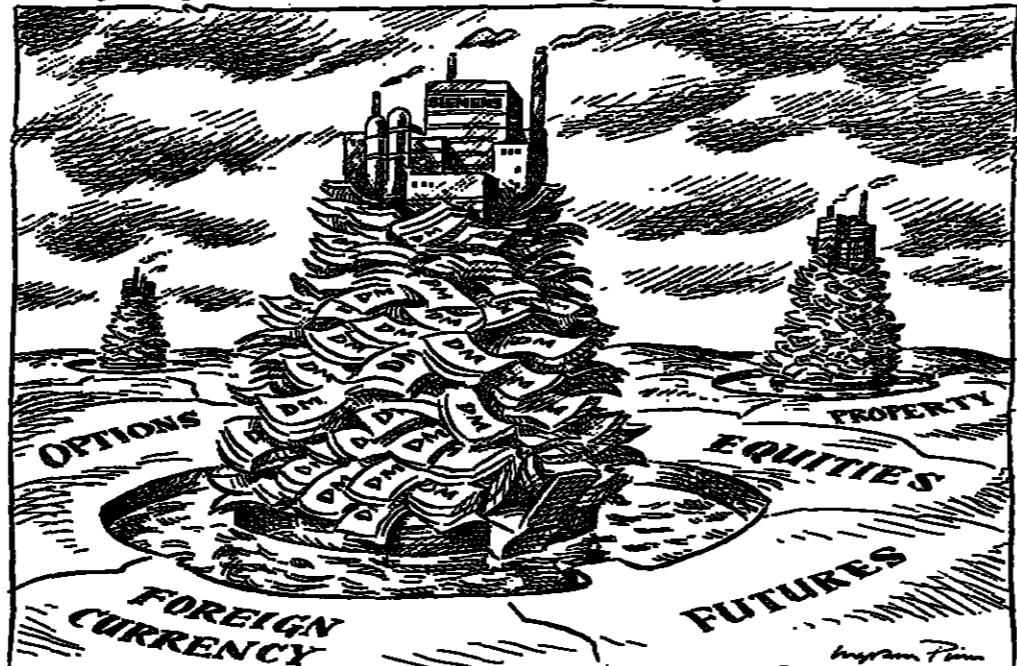
Some companies have diversified their approach to investment policy. Siemens, so often derided as the arch-conservative, has placed some of its cash in US dollar bonds as well as smaller holdings in Japanese and French equities too.

The company has no fixed rules on the currencies in which it invests. "It so happens that the bulk is in D-Marks," says Klaus Müller-Zimmermann, the executive vice president in charge of its central finance department. "We have a certain policy as to how much should be kept in D-Marks, but this is flexible. There is nothing monolithic about it; it's not engraved in stone."

"Despite its relatively low interest rates, the D-Mark had the highest yields for a number of years thanks to currency appreciation," he explains. "The overall plan is to have a high yield and to limit the risk. That may sound contradictory, but if the amount is big enough, it's not."

Siemens also stands out for its willingness to invest some funds in equities - in sharp contrast to most of its big counterparts. While the sheer bulk of its liquidity obliges it to spread its funds over a wide range of investments, the decision also reflects a more entrepreneurial attitude to managing its money.

By contrast, BASF and Daimler-Benz are much more typical of German industry. Apart from stressing the domestic currency, both are also extremely cautious when it comes to their choice of investment instruments.



BASF's domestic bond portfolio is limited to top-class issues in which there is maximum liquidity. Likewise, its fixed-term cash deposits are on relatively short maturities, with the stress on ease of access.

Daimler-Benz, which is already Germany's biggest industrial company with sales of over DM74bn, is even more liquidity minded.

"Kasse macht Sinn" (cash makes sense), says Hans Adams, a senior executive in Daimler's finance department, who spouts homespun Swabian idioms to underline the group's money management policy.

With a string of opportunistic acquisitions like AEG, the electricals group, Motoren- und Turbinen-Union (MTU), the engines group, and Dornier, Germany's second biggest aerospace concern, behind it, Daimler's corporate philosophy dictates that liquidity should stand at the disposal of group investment strategy, explains Adams. That strategy is likely to be re-emphasised should its plan to buy Messerschmitt-Bölkow-Blohm (MBB) finally be given government approval after many months of uncertainty.

"It is not our money which makes us think about our industrial activities, but it is our industrial activities which make us decide what to do with our money," he says.

This credo of subsuming finance to industrial strategy is probably the touchstone for German industry in general. Treating cash management as a separate activity or profit centre, which can have some existence independent of the group's main industrial thrust, is rare on the corporate scene.

True liquidity management is important, with traders looking for high yielding and secure investments, but liquidity management is generally perceived as being an activity to serve the company's industrial strategy rather than perform spectacularly in its own right. Solid performance and limited risks are the names of the game.

The fortunes of companies which have behaved differently are often cited as justification. Volkswagen, which in 1987 lost DM473m through a fraudulent foreign exchange scam, is the name most often mentioned.

VW ran a large, independent and, until the forex affair,

flexibility, even Siemens' stress on yield has its limits - although for somewhat different reasons. Consistency in the group's annual investment earnings is almost as important as yield, explains Müller-Zimmermann. "We're looking for relative stability in treasury's contribution to the profit and loss account," he says.

The rationale is simple. Investment income provides such an important contribution to group results that wild gyrations from one year to another are undesirable, as they would upset the consistent trend in corporate earnings that Siemens likes to show, in line with much of corporate Germany.

Outright profit maximisation could be the priority for companies with smaller cash mountains, says Müller-Zimmermann. "But here, our contribution to overall results is so important that we have to ensure stability over the years."

That stress on consistency may help to explain Siemens' unusual openness by German standards to concepts like futures and options. For most of its counterparts, such tools, which are increasingly accepted in corporate boardrooms in other countries, are often still seen as expensive and unnecessary gimmicks.

"We will use anything to improve the yield of the portfolio, whether it's futures, options or swaps," says Müller-Zimmermann. "We feel these are legitimate instruments to improve yield."

However, even a sophisticated investor like Siemens restricts the use of derivative instruments to hedging its underlying cash portfolios. "We would have some hesitation buying without an underlying portfolio," comments Müller-Zimmermann.

Thus while the group uses derivatives to hedge its equity and interest rate risk, it is hardly active in precious metals futures, and wholly absent in commodities.

The very mention of futures and options brings down the shutters at Daimler and BASF. Adams is even highly sceptical

Management abstracts

Overseas blues. P Morgan in Accountancy (UK), Jan 89 (3 pages)

Warns against some of the pitfalls of accepting a work contract abroad where, if one leaves within a certain time, costs of recruitment, transportation, hotel accommodation, immigration, and health costs can be repayable. Considers that changes in culture, work environment and climate can cause problems unforeseen at the time of acceptance. Written from the personal experience of the author who worked as an audit supervisor in Sydney and broke the contract after six months.

Auditing your customer service activities. J.I. Coppert in Industrial Marketing Management (US), Nov 88 (3 pages)

Using the term "auditing" in the US connotation of "reviewing with the aim of improving," looks at the manifold aspects that can be considered now that the economy's emphasis is moving to service and customer expectations are rising. Stresses that suppliers do not always understand what their customers' expectations really are, and provides a categorisation of customer service requirements. Points made are illustrated from real life, such as a "cool" (five-phone) line at a DJV company on which technicians help customers with minor repairs of the product.

What American Express did. J Stevenson in Direct Marketing (US), Nov 88 (4 pages)

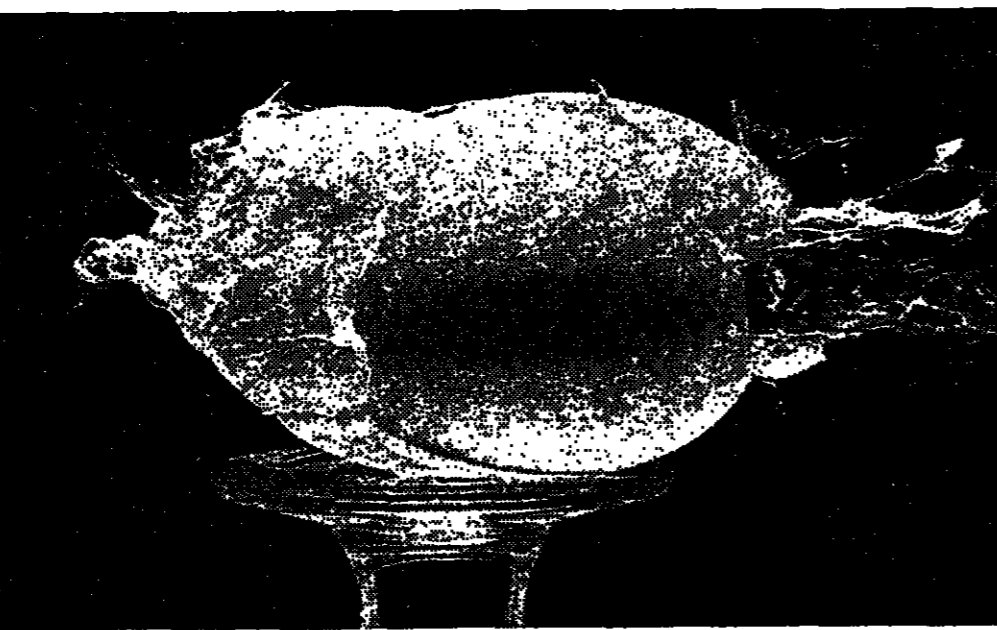
A case history of the experiences of American Express with direct mail, beginning in the late-1970s when each department independently ran its own campaign; reports how things changed after the discovery that 1m pieces of mail were being issued every day. First, recipients were given repeated opportunities to be removed from the lists; then came the introduction of two control techniques: a classification of potential recipients in ten categories of propensity to buy, leading to decisions on which categories to drop; and a costing procedure based on a notional charge to each "customer" for each piece sent.

These abstracts are condensed from the abstracting journals published by Amber Group. The original articles may be obtained as a cost of 14 each (including postage) from Amber Group, PO Box 21, Wokingham RG40 2JZ.

TECHNOLOGY

## A film maker focused on trouble-shooting

Rachel Johnson reports on a UK company with a forte for capturing natural phenomena



An egg being shot by an air gun pellet, captured by filming at 5,000 frames a second

powder, milk, alcohol, sugar and salt. OSF will be able to mimic the script's cosmic explosions by dropping single cells of yeast into the fluids. At high magnifications, (between 100 to 400 times on the film plane, but up to 10,000 times on the big screen) the single cells will appear to whirl past like meteors.

The shots will be taken using dark field illumination, which addresses the trickiest aspect of filming micro-organisms: adjusting lighting levels so they are adequate but not so hot that they fry live specimens, such as butterfly eggs.

While modern film can be very fast (ie light sensitive), filming a single cell requires a lot of illumination at source for the imagery to get recorded.

Dark field illumination focuses light to a pinpoint, while subjects are set against a background of true photographic black. The dark field is set behind the subject, while heat-toughened infrared filters are stacked behind the powerful lights to absorb about 85 per cent of the heat.

The project will also, for the

moving the rabbit; if the flea crawled to the right, the rabbit was slid to the left. The "optical bench" worked so well that OSF ended up recording parasitic mites feeding on the flea at the same time.

The roots of their prowess, filming micro-wildlife, leave some areas unexplored, Parks admits. "The company which did Star Wars (ILM) might have difficulty filming a pinhead. We might have difficulty filming warblers waving neon tubes saying 'May the force be with you.'"

OSF hopes to use its independence to develop its Oscar-winning innovations - such as the snorkel lens and optical bench - while winning more commissions.

"Apart from Sexual Encounters of the Floral Kind, which was one of the two independent productions we got off the ground, Anglia and the BBC end up taking the credit for what we do because they commission the work," Parks says.

The optical bench has been refined six times and gone round the world three times. Time lapse, micro, macro and aquatic photography have already been taken to a pitch of technical expertise. Future advances in film technology are likely to be in aerial image relay, Parks predicts.

This innovation is from the same stable as the snorkel optics, which use lenses remote from the camera with pin-hole external pupils in a tube-like snorkel lens. This allows cameras to film underwater without getting wet, or be placed in the most improbable places, such as inside a flower.

With aerial image relay, both a foreground miniature and the background can be sharp at the same time. This makes it possible to produce a clear image of a camel as seen through the eye of the needle. Either element would be hopelessly fuzzy unless the background image (the camel) was relayed into the plane of space occupied by the foreground (the needle).

While the film industry is getting "all excited" about computerised camera control, Parks is sure that aerial image relay is the effect of the future. "Disney has rung us with an idea for a project using aerial image. Nothing's been decided, but I can tell you its about spiders," he says.

A combination of aerial image and explosive yeast particles, enabling OSF to film the solar surface crawling with giant spiders in pin-sharp focus, is beginning to sound inevitable.

### WORTH WATCHING

Edited by Della Bradshaw

### Woodpecker taps into quality

BY TAPPING a coin on a metal surface, experienced technicians can tell whether the metal is sound. The same principle is used by the Woodpecker - only it uses an electronic ear not a human one.

Developed by Mitsui Engineering and Shipbuilding, of Japan, the Woodpecker can test anything from the steel hull of a ship to a ceramic heatproof tile. European distributor JR Electronics says that it can be used for both quality control and in-service monitoring.

Laminates, ceramics or metals can be tested, as well as composite materials a metallic or reinforced plastic skin bonded to foam.

The hand-held device taps a metal head against the surface - like a woodpecker. An electronic processor compares the sound with the "perfect" version in the computer's memory.

The condition of the material is indicated by a display of lights: green for high quality, two red lights and a siren for the opposite.

### Fume controllers show their metal

FOLLOWING the European Commission's decision to introduce strict controls on car emissions by 1992, equipment manufacturers are vying with each other to demonstrate which has the best technology.

One area of dispute is the base material used for catalytic converters, which convert noxious exhaust

### Getting the measure of static

ANYONE who has taken off a synthetic sweater knows about the problem of static electricity. But electronic equipment, as well as the human body, is sensitive to static.

Increased use of electronic equipment in offices and factories has brought with it worries about static from carpets or furnishing fabrics. In extreme cases, computer data can be corrupted, or disk drives can find a life of their own and burst, unprovoked, into action.

Companies wanting to measure the amount of static electricity in their buildings can use a portable machine from John Chubb Instrumentation, of the UK.

The machine measures the dissipation of static from fabric. An electrical charge is passed between a pair of electrodes attached to the surface. The information can be displayed as a graph on an IBM or compatible personal computer.

### Cutting the cost of a conference

VIDEO conferencing - meetings between people in separate locations linked by television - is a service

### Is it a bird? Is it a train?

TRAINS and boats and planes are no longer confined to distinct market segments, according to the Argentine Centre for Transportation Research in the US. It says that the best use of maglev (magnetic levitation) vehicles would be as a replacement for aeroplanes, not trains as popularity believed.

The gap between a maglev vehicle and its "train" means that it should be

### deemed a low-flying aircraft,

says the report. Its introduction in the US to replace short or medium-haul flights would reduce noise, pollution and the estimated \$5bn a year caused by air traffic delays.

CONTACTS: Mitsui Engineering and Shipbuilding, Japan, 65, Sakai 2-11, Embury, W Germany, 2-46 12600; Cornhill, UK, 837 374; 8500 John Chubb Instrumentation, UK, 0742 0242; JR Electronics, UK, 0163 500771; OSF, UK, 0236 42877; Argentine Centre for Transportation Research, UK, 512 972 200.





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ARTS

Danbury Mix

SADLER'S WELLS

At the centre of the Paul Taylor Company's fourth programme is Danbury Mix, set to scores by Charles Ives.

The pivot of a frenetic dance action is Karin Wolfangel, seeming a close relation of the Statue of Liberty in a

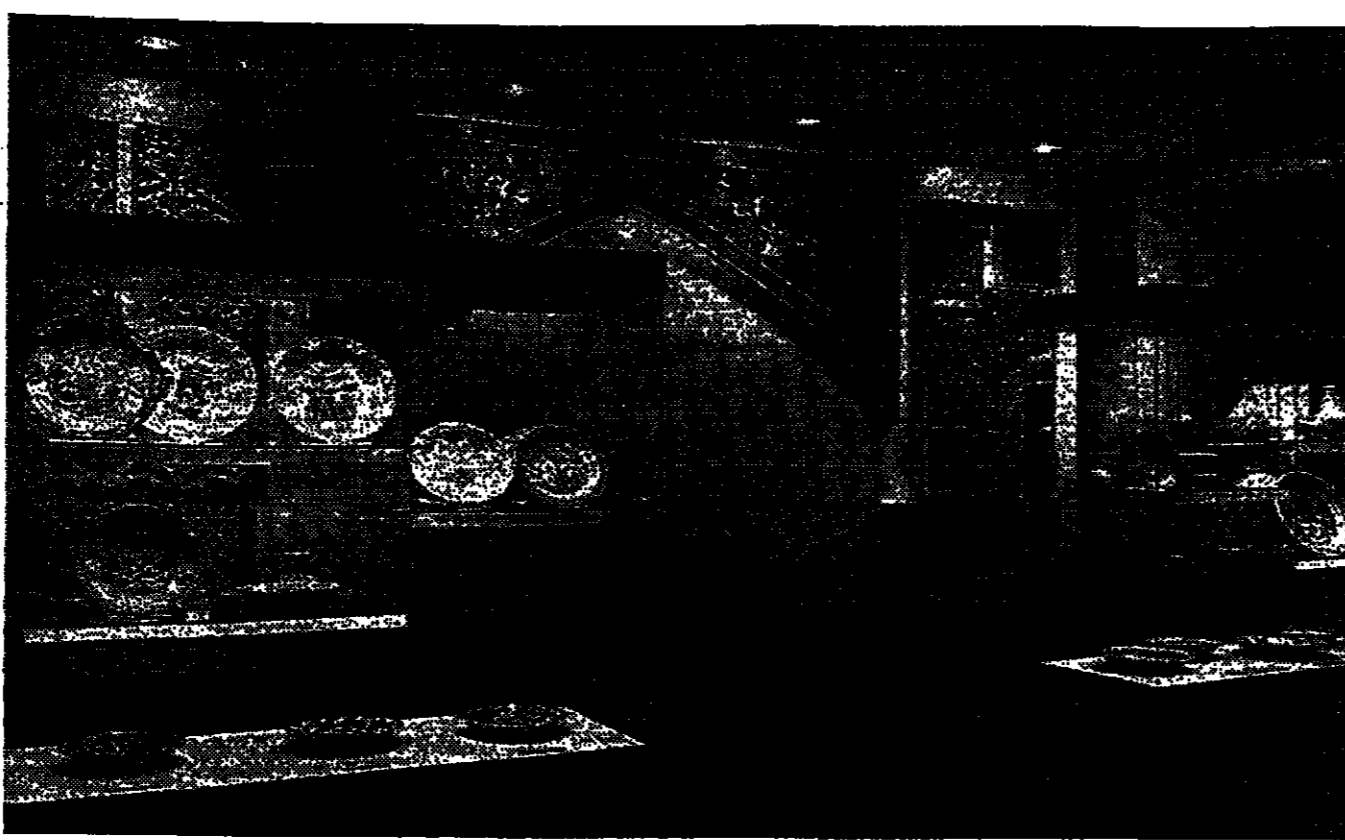
Just before the curtain falls, an act drop of small black and white American flags descends: the final impression is of a disillusioned view of a nation's image of itself.

All is sunshine in Airs, which opens this programme, its cast obedient to Hamelian melody, and as usually graceful as the choreography.

This season is proving grandly memorable for audiences in the constant revelations of Taylor as a master choreographer.

At the closing Explanada, Taylor states his theme in the first moment of the choreography.

Clement Crisp



Inside the new John Addis Gallery

Splendours from the East

Susan Moore on the British Museum's new Islamic Gallery

Thanks to the generosity of Sir John Addis, a distinguished Sinologist and former British Ambassador in Peking, the British Museum has a new Islamic Gallery.

His bequest - Sir John was a museum trustee 1977-83 - enables a variety of objects from the disparate lands and cultures of the Islamic world to be shown together for the first time.

Not to be overlooked is the brass Biceps ewer, inlaid with silver and copper to depict scenes of life at the Mosul Court around 1332.

The new gallery was created out of an unimposing low-ceilinged, lower-ground floor space in the King Edward building, previously used to house the Godman collection and offices.

Each movement built naturally, led naturally, to its successor; the finale, sung by Joan Rodgers with ideal freshness and unimpeded sweetness of tone, summed up the special features of this marvellous work.

In the first half conductor and orchestra, and with them the subtly musical cellist soloist

only the briefest of inscriptions. (A free but very brief guide is available in the gallery.)

Approaching the gallery from the marble terrace - the only touch of opulence - the range of the collection is made immediately clear.

Not to be overlooked is the brass Biceps ewer, inlaid with silver and copper to depict scenes of life at the Mosul Court around 1332.

The scoring of Mahler's Fourth Symphony allows no passengers; the spare, sharply focussed contrast of colours bucolic and mysterious demands the

The undisputed glory of the collection, however, is the Iznik ceramics, now unparalleled in the world. It is strong on the early blue and white made after around 1480 for the Ottoman court.

But it is the so-called Damascus group that steals the show. Their assured patterns, of Chinoiserie or botanically correct flowers, are painted in the largest range of underglaze colourants in the whole history of ceramics.

Calligraphy has a central - and unifying - role in the arts of Islam, given the religion's dislike of figural representation. It is the subject of the inaugural, temporary exhibition, which draws together examples on tiles, earthenware vessels, silver, glass, written on paper, or carved into limestone.

Evidence of revival, if not survival - and a welcome compensation for the paucity of textiles in the collection - is the large carpet commissioned by the museum. It was woven by a co-operative in the village of SILEYIMENK as part of the DOBAG project - which is reviving a generation's oversight.

BBC Welsh Symphony

ALBERT HALL/RADIO 3

Much of the Proms' broad and butter is provided by the visits to London of the various regional orchestras.

The scoring of Mahler's Fourth Symphony allows no passengers; the spare, sharply focussed contrast of colours bucolic and mysterious demands the

most carefully disciplined attack and sense of balance from every member of the band. It was a pleasure to hear such a keenly concentrated Mahler sound.

It was also a pleasure to hear the surely guided unfolding of the movements.

Alexander Baillie, paid no less close or fastidious attention to Orion and Pleiades (1984) - a 25-minute stretch of colour-and-texture rhapsody by Mr. Otaka's compatriot Toru Takemitsu.

Like all of his works it is put together with exquisite finesse, each note, each phrase with feather-brush precision; but like too many of them it, washes over the listener, bathing him in a pleasant pretty haze and leaving behind no trace.

In the first half conductor and orchestra, and with them the subtly musical cellist soloist

max Loppert

Cathedral concerts

AIX-EN-PROVENCE FESTIVAL

Many people still think of the Aix Festival as a showcase for operas, and particularly for operatic voices - in which the Aixois indeed take a passionate interest; but there is more and more to it than that.

On the day I left, the Hilliard Ensemble had just begun a marvellous week's worth of one-composer noontime concerts. I heard their Frotin, Ockeghem, Tallis, Palestrina and Schütz were to come.

Larger forces are well accommodated too. Orchestral lines tend to broaden and blend, but solo voices rise forward of them to great effect.

A Festival choice sufficiently

explained by the fact that he is on his again as Don Alfonso in the admired revival of Così fan tutte, with the English Chamber Orchestra conducted by Jeffrey Tate and with Hans-Peter Blochwitz as Ferrando.

All of these participated resoundingly in Eljiah, with Charlotte Margiono and the subtle contralto Nathalie Stutzmann - two of the Three Ladies in the new Zauberflöte - contributing just as keenly.

They were in superlative form for The Seasons of Haydn, part of a late-Haydn survey which took in the Seven Last Words and the Paukenmesse.

Larger forces are well accommodated too. Orchestral lines tend to broaden and blend, but solo voices rise forward of them to great effect.

A Festival choice sufficiently

has done Scaglia and Ciompi di Tri - built a performance of terrific energy and unabashed picturesque colour.

That was especially rewarding to hear, since in this country we know Jordan chiefly through his fine recordings of more recent but neglected music. He proves to be a classicist of parts. Three days earlier, his exposition of the Seven Last Words of Our Saviour on the Cross with the Ensemble Orchestral de Paris had been so clear-eyed, searching and poignant that one had to recognise that Haydn's later string quartet version is, after all, only a second-best.

Marc-Antoine Charpentier's "opera" David et Jonathan - much like a Handel oratorio, but with far more flexibility within set numbers - got a brilliant re-creation from William Christie and his band Les Arts Florissants, with soloists who flung themselves into their roles with dramatic abandon.

David Murray



Jan Peszek in the Stary Theatre of Cracow's production of 'The Dybbuk'

Wajda in Westchester

PEPSICO SUMMERFARE FESTIVAL

America is long overdue in recognising that Eastern Europe is more than an appendage of the Soviet Union.

Like all of his works it is put together with exquisite finesse, each note, each phrase with feather-brush precision; but like too many of them it, washes over the listener, bathing him in a pleasant pretty haze and leaving behind no trace.

Through the playwright was Polish, his work was rarely seen in his native country, whose anti-Semitism has long been accused of outliving the Jews.

Respect for Jewish life in Poland permeates the rich, even lush, production designed by Krystyna Zachwatowicz with its stained glass windows emitting sharp colourful shafts into the otherwise dark theatre interior.

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This example of Polish economics would be more comprehensible if the production justified it. But Hamlet, lounging on a moth-eaten sofa or reading the script, does nothing to enhance the scenes he is not in, and after a while, having the king and queen entering from the rear in the robes, hopes and neck-ruffies of Elizabethan costumes to see him in his dressing room, becomes comic.

Dubbed "the grand finale," this tenth is the last Summerfare. Pepsico is withdrawing its \$2m a year support just when it seems to have found a role for itself to promote the cultures of Eastern Europe (after assiduously promoting its products there). Pepsico is sold in the Soviet Union in proportion to the Stolychynaya it purveys in the West, an arrangement that long antedated Pepsico's that long antedated Pepsico's that long antedated Pepsico's.

Frank Lipsius

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ARTS GUIDE

THEATRE

London

The Merchant of Venice (Theatre Royal Haymarket). This is a sympathetic, somewhat over-gesturing alien in Peter Hall's fine Renaissance production.

New York

Heidi Chromicles (Flynouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s.

Chicago

A Funny Thing Happened on the Way to the Forum (Good

man). Stephen Sondheim's most popular musical, for which he wrote both music and lyrics, stars Louis DiCicco as a Pseudo-Fox in Bert Sheveloff and Larry Gelbart's adaptation of Plautus. Ends Aug 6.

July 28-August 3

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and passion brings to Broadway lessons in paganism and drama.





Philip Stephens reflects on the political fallout from the British Cabinet reshuffle

A wrong move by Mrs Thatcher

The cracks appeared in Mrs Margaret Thatcher's Cabinet reshuffle even before the point was dry. The intended image beamed into a disgruntled nation's sitting rooms - of fresh faces bringing new energy and sharpened presentational skills to a tired and unpopular Government - lasted just a few hours. Instead the electorate was offered a rare, and distasteful, glimpse into the intrigue and distrust behind the re-constituted departments of Sir Geoffrey Howe from the Foreign Office...

will probably never be popular, but few ministers are better equipped with the political and presentational skills needed to limit the damage than Mr Patten. His appointment brought almost universal praise from the Conservative backbenches - even from those who are acutely distrustful of his liberal views on the economy and social policy. Mr Nicholas Ridley, despite his formidable intellect, seemed to be fighting as hard as he could to lose the battle for the over-expanding "Green vote". His sideways move to the Department of Trade and Industry, one rather dismayed member of Labour's front bench team commented, may have saved Mrs Thatcher a million votes.



enough to know that it would be disastrous both for his own future and for the Government if he became a cipher for Mrs Thatcher's views. During his time at the Treasury he proved himself both politically skilful and sensitive. Enemies as well as friends give him credit for acute political antennae and for his refreshing disdain for ideologues. But the success or otherwise of the new, more hegemonic and sympathetic ministers in lifting the Government's spirits and in restoring its fortunes in the opinion polls will not rest in their own hands. Like their predecessors they will be reliant on Mr Lawson, one of the few Cabinet ministers untouched - save for the loss of his country house - by this week's reshuffle.

concern - over the outlook for the economy. The conventional wisdom is that if Mr Lawson manages, as he has promised, to bring down inflation and interest rates, most of the other problems can be neutralised if not solved by spending just a fraction of the Treasury's massive budget surplus. Mrs Thatcher's autocratic style and her apparently disdainful treatment of senior ministers should become a Westminster sideshow if voters see mortgage costs falling, income tax rates coming down and their incomes climbing. Handling the pressures for closer European integration - as Mrs Thatcher's angry response to President Francois Mitterrand made clear yesterday - may still prove tricky. The Prime Minister may use Mr Major's appointment as an excuse to retreat from the compromise she accepted at the Madrid summit. But the electorate are more interested in

LOMBARD

The world's worst tax

By Michael Prowse

better schools and hospitals and in cuts in the basic rate of income tax than in the EMS.

The problem is that the Treasury is far less sanguine than it publicly admits about whether and how soon Mr Lawson can deliver what he has promised. It is predicting fairly confidently that the annual inflation rate, as measured by the retail prices index, will come down to around 6 per cent by the end of the year. The recent ratcheting up of the level of pay settlements, however, has reinforced its fears that the rate may then stick at just below that level for most of 1990.

For a Government that started its third term of office with prices rising by only 4 per cent a year and which has promised to eliminate inflation entirely, that is simply not good enough. At best it would mean mean borrowing costs remaining close to their present levels for much, if not all, of next year and a continuing squeeze on the growth in real incomes. Just as importantly it would also imply that the Treasury would refuse to deliver the major relaxation of the constraints on public spending which many ministers assume will come next year.

So Mr Kenneth Clarke could find himself trying to sell his MES reforms without enough money to buy off the medical professions, or to assure a sceptical public that he is ready to pay for more doctors and incubators as well as accountants and computerers. Mr Patten may have to depend as much on his natural charm as on extra cash to sweeten the bitter electoral pill presented by the poll tax. Mr John MacGregor, newly installed at Education, could discover he has been left with a brand new core curriculum without enough teachers to deliver it.

POLITICIANS cannot afford to have principles. So Mr Christopher Patten, the new Environment Secretary, is probably not too worried that he will have to preside over the introduction in England and Wales of the community charge or poll tax. He is already uttering banalities worthy of the tabloid press, such as "the community charge will put the community in charge". Being shrewd and ambitious, he will do everything in his power to smooth the transition from domestic rates. Don't be surprised if the "safety net" proposals announced last week by Mr Nicholas Ridley, which Mr Patten, or are made more generous. But if Mr Patten manages to minimise opposition to the poll tax, he will have scored a hollow victory. To gull people into tamely accepting a morally indefensible and chronically inefficient form of taxation can hardly be a source of pride. "I put the clock back 500 years, undermined local government finance and introduced the crudest form of tax found anywhere in the developed world," is not the sort of remark likely to impress the grandchildren.

site, while causing a significant deterioration in work incentives.

Never mind, Mr Patten will argue, it will serve a Higher Purpose: that of local accountability. A community needs a flat rate levy in order to be able to take charge of its affairs. Really, the poll tax is unique to Britain. Yet local communities in countries as diverse as Sweden, Japan and the US manage to control their spending without recourse to medieval levies - and without the UK's extraordinary battery of central government controls.

The "reforms" which Mr Patten is now stoutly defending leave local councils in control of only about a quarter of their revenue. (Business rates in future will be centrally determined.) This would be an absurd state of affairs even if the local tax were robust and fair. It means that if local people want to spend 5 per cent more than London-based Mr Patten decides is proper, they have to raise the poll tax by 50 per cent. Because the levy is flat rate, it will fall disproportionately on the low paid. Yet much local spending, for example on community care and housing subsidies, is a response to unmet needs of the poorest in the community. In other words, councils will not be able to help the poor without penalising those on low incomes.

Many people oppose the poll tax but believe continued opposition is a waste of time. This is unnecessarily apathetic. As Peter Eam and Carey Oppenheim argue in their new book, the rational response is to search for an alternative form of local taxation, based on ability to pay, which provides a secure base for local spending. My own view is that some form of local property tax is essential, but that it could be supplemented by a progressive income tax. One thing is certain, the shoddy system of local government finance invented by Mr Kenneth Baker, the Tories' smiling party chairman, will not outlive the 1990s.

It cannot be right to say that all adults living in a neighbourhood should pay the same flat charge for local authority services. Nobody would attempt to defend such a principle at the national level: the most neo-libertarians demand is a tax system proportional to income or wealth. The Government's claim that it is catering for differing abilities to pay - through its complex system of rebates for the poorest - deserves nothing but contempt. Nurses with small incomes and tiny flats will be paying the same as millionaire landowners. The fact that rebates are being extended to about 10m of the poorest merely demonstrates the stupidity of the original proposal. It was absurd to insist that the least well off, including those on subsistence state income, must be made liable to taxes which everybody knows they cannot pay. The Government's policy was once to raise tax thresholds and reduce the numbers forced into humiliating dependence on means-tested benefits. The poll tax will do the exact opposite.

My own view is that some form of local property tax is essential, but that it could be supplemented by a progressive income tax. One thing is certain, the shoddy system of local government finance invented by Mr Kenneth Baker, the Tories' smiling party chairman, will not outlive the 1990s.

\*A Charge on the Community, £5.95, Available from CPAG, 1-5 Bath Street, London, ECL

LETTERS

'Its own worst enemy'

From Mr Walter C. Patterson. Sir David Fishlock (July 25) gives "anti-nuclear campaigners" too much credit. The difficulties British Nuclear Fuels encountered in reprocessing Magnox fuel in the early 1970s did nothing to clarify the "fuel reprocessing" into the public arena. BNFL kept not only the public but even the specialist trade press like Nucleonics Week in the dark about these difficulties. Not until the Windscale inquiry of 1977 was it possible to get a clear picture of what was going on when Friends of the Earth (FOE) cross-examined BNFL witnesses.

I know of no heats for Mr Fishlock's assertion that "anti-nuclear campaigners recognised that they could halt Magnox reactor operations if they could prevent reprocessing of its fuel". On the contrary, the focus of controversy from 1975 onwards was the proposed Thermal Oxide Reprocessing Plant (THORP) - for oxide fuel, not Magnox fuel. Subsequent developments have borne out essentially all the criticisms put forward in evidence by FOE. Reprocessing oxide fuel is unnecessary and uneconomic, and complicates nuclear waste management; BNFL's cost-plus contract to reprocess fuel from advanced gas-cooled reactors (AGRs) may help to make the AGRs fully as unappealing to potential investors as the Magnox units were acknowledged to be. But the nuclear industry's difficulties are entirely of its own making, if it had listened to the critics, instead of attempting to discredit them, it might not now be in such a terminal mess. The nuclear industry has always been its own worst enemy; the harm it has done itself may now be irreparable. Walter C. Patterson, 10 Chesham Road, Amersham, Buckinghamshire

Freedom for conveyancers

From Mr David Ashford. Sir, The absence of a licensed conveyancers' viewpoint in your report on the Lord Chancellor's white paper (July 20) denies your readers the chance to consider our feelings about the Government's proposals. Perhaps you will permit me partly to fill the gap.

As a pioneer of the freedom for conveyancers to practise competitively with their former solicitor masters, whose monopoly was broken by my successful High Court action in 1976, may I be allowed to contribute just two of several pertinent points? First, I feel that with the advent of leading institutions becoming the new masters of most licensed conveyancers and solicitors alike, a fundamental re-alignment of organisation is essential if the average small private firm is not to be pushed to the wall. In response to the impending creation of a mega-monopoly of money-lenders luring most homebuyers into their "one stop shops," the early formation of a new Association of Independent Conveyancing Advisers (AICA) should be given serious consideration.

Second, there will be many mortgages unwilling to incur the enormous expense of setting up conveyancing departments. To them, AICA would propose the use of a single premium (say £25) title insurance policy scheme which would adequately compensate them on the rare occasion that a defective title is discovered when selling a defaulting borrower's property. This simple device would (a) obviate the need for their involvement in conveyancing at all, and (b) release conveyancing advisers to act solely for their borrowers at about two-thirds of current costs. Combating the worse effects of the "might is right" philosophy must now be the central task of all independent minded professionals. Believe me, they are much more concerned with the preservation of real freedoms of relevant consumer choice in an increasingly complex market place than many in the media may think. David Ashford, Chairman, National Association of Conveyancers, 44 London Road, Kingston upon Thames, Surrey

The EC could knit it all together

From Mr J.A. Nightingale. Your report of the EC's proposals to the Gatt on world trade in textiles and clothing rightly stresses the link between the future of the multi fibre arrangement (MFA) and proven progress in strengthening Gatt rules and disciplines. EC backing for this linkage is welcome.

The UK apparel, knitting and textile industries are striving to achieve international competitiveness by investment, high productivity and good management. The Gatt's tolerance of competition based on dumping export subsidies, theft of intellectual property, protectionist tariffs and blanket import bans is unacceptable. Real and demonstrable progress must be made in removing these distortions from international trading. Any idea that the MFA can be relaxed without resolving these other issues is illusory. Allan Nightingale, Apparel, Knitting & Textiles Alliance, Oxford Circus, W1

Odds seem in favour of more urban roads

From Mr David Lowe-Watson. Sir, Mr Peter Bottomley, formerly Minister for Roads and Traffic, assures us that he considers important urban road building only as a last resort (Letters, July 28). But how does he decide whether all alternatives are inadequate and the "last resort" has to be adopted? Mr John Wakeham (Letters, June 6) pointed out that some alternatives were excluded for political reasons, while more rigorous criteria are used for rail than for road schemes. Mr A.C. Davey (Letters, July 28) shows that public land to be used for road schemes is treated as having nil value. The chairman of the Countryside Commission said earlier this year that, at a public inquiry, objectors who want to argue in favour of an alternative "start off with an in-built disadvantage" because the inspector can only decide for or against the scheme before him. Can the Department of Transport honestly deny that the cards are stacked? David Lowe-Watson, 68 Milton Park, N5

Who is the more sensational and myopic - the analyst who suggests that the authorities are in fact fairly pragmatic these days and that the UK economy will probably muddle through for a bit longer, or the single-minded academic who insists on posing an old-fashioned dilemma between immediate recession and inflation? Kevin Gardiner, S.G. Warbury Securities, 1 Finsbury Avenue, EC2

Picking a way through monetarism

From Mr Kevin Gardiner. Sir, "City economists do not ask basic questions," says Frank Blackaby (July 26), before providing a muddled answer to his own pretty basic question, "what is the function of interest rates?" He suggests that the UK Government's monetary policy depends for its success on month-to-month variation in "people's preference for immediate as against eventual consumption." I should have said that it depends on precisely the opposite - but then I'm a City economist and I would not have asked the question.

comment by "City, and City-minded, economists" (July 26). But gurus derive their power and self-importance from the gullibility of their disciples. So the rest of us are equally to blame. Mr Blackaby attributes West Germany's notable success against inflation to its "industrial relations and worker participation" structure, not to its monetary management. But surely even the best structure in the world would have swayed little without the Bundesbank's skill and eternal vigilance? W. Grey, 12 Arden Road, N3

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TAYLOR WOODROW TEAMWORK IN PROPERTY WORLDWIDE

Practical man in the shadow of Khomeini Kamran Fazel and Andrew Gowers look at the tasks facing president-elect Rafsanjani

IN A televised address the other day, the man who will today be elected president of Iran was strangely subdued. "I have a series of hopes for the future of the country which may or may not square with the potentials at hand," said Hojatoleslam Ali Akbar Hashemi Rafsanjani. "I will try to realise what is practicable."



President-to-be Rafsanjani: setting the priorities for a post-war decade of reconstruction

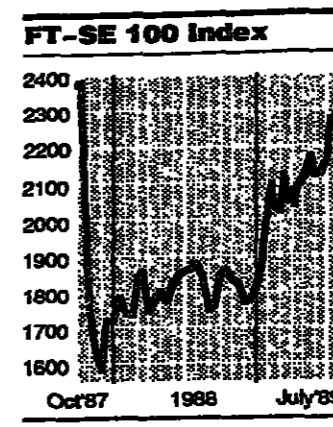
decade. "In the 10 years after the revolution we were not able to attend to the everyday lives of people because of the war," he said. Priorities for what he calls the "decade of reconstruction" include: ● Developing Iran's natural gas resources for domestic consumption, with the aim of freeing up to 700,000 barrels a day of oil for export;

Khomeini's most cherished dogmas. In contrast to the late revolutionary leader's fabled asceticism, Mr Rafsanjani preaches that there is nothing in Islam against good living or the enjoyment of luxuries. While reaffirming his commitment to a foreign policy of "neither East nor West", he adds that this "does not mean cutting ties with the East and the West, but rather maintaining healthy relations" with outside powers. The real message has not been lost on ordinary Iranians. Asked about Mr Rafsanjani's recent rapprochement with the Soviet Union, Mr Hussain Samiei, a shopkeeper in mid-Tehran, remarked: "It was done in order to make the West more eager - you know like going after another woman to make the one you want jealous so that she'll come to you."

Mr Ali Karami, owner of a tea house in southern Tehran, expressed a typical view when he said: "Rafsanjani will make up with the West and they'll rebuild our industry and it'll be like before." None of this, of course, is as simple as it sounds. For a start, a rapprochement with the West will not be easy to engineer, not least because of the continuing controversy over the Salman Rushdie affair. Second, Iran's economic crisis - featuring rampant inflation, rising unemployment, a shattered infrastructure and a moribund industrial base - is so serious that it is impossible to conceive of a "quick fix". Tackling it will require coherent economic policies, on which the Iranian leadership has been notoriously incapable of agreeing in the last 10 years. Third, and perhaps most important in the short term, there remains a potential problem of opposition to Mr Rafsanjani within the ruling apparatus. If he is to make pragmatic policies stick, the new president will not only have to confront hardliners but to preserve the ideological purity of the revolution, such as Hojatoleslam Ali Akbar Mohtashemi, the Interior Minister. He will

also be up against many people with a vested interest simply in preserving the current system and the massively-expanded number of government jobs it provides. The civil service suffers both from rampant corruption and from desperate lack of competence. Many officials in key positions are long on revolutionary zeal but short on necessary expertise. Mr Rafsanjani will find it difficult to create the confidence needed for a resumption of economic activity and investment without rooting out a great number of middle-level and senior officials. There have been no clues to date as to how he intends to set about his task. To be sure, recently-drafted amendments to the constitution - which are also to be put to the vote today - give Mr Rafsanjani theoretically awesome powers. But recent press reports suggest that several of the hardliners opposed to an opening to the West will remain in the cabinet under him, presumably arguing vigorously against his policies. Ironically, the new president's main political headache may well turn out to be the Majlis (parliament) - up to now his principal power base. A majority of members of the present Majlis are fundamentalists. They may yet form a powerful opposition alliance, of which the cleric Ayatollah Khomeini (the late Ayatollah's son, who is tipped to be the next Majlis speaker) and Hojatoleslam Ansari, a close Khomeini associate. Despite the united front being projected by the authorities, Iranian observers reckon the president and parliament will soon be trying out their respective strengths - perhaps on the controversial question of social liberalisation, which is vital if the country is to attract back exiles to assist in reconstruction.

ICI balances on the cycle



ICI's half year figures left the stock market unmoved yesterday, for perfectly good reasons. Whatever the company may say about its changed nature in the 1980s, its immediate prospects are still chiefly determined by the cycle in industrial chemicals. The market has no clear idea of what the cycle is doing just now, and neither has ICI. The paradox is that prices for most base chemicals are weakening, but underlying demand is not. The industry's customers have a clear memory of how good a deal they got on price in the early 1980s, and how much the tables have turned since. Sensing the long-awaited downturn, they are now staging a buyers' strike, just as everyone goes off for the summer break. Come September, they may find they have misjudged their own customers' demand, and will restock accordingly. If not, the base chemical producers are in for a thin time. But so far, there is no reason to doubt ICI's assertion that the slowdown is manageable. Net of exceptional gains, group operating profits in the second quarter were unchanged from the first, and volume was still 3 per cent ahead. The group will also claim that it is much better placed for a downturn than in the past, and that is plainly true. But the upswing last year proved so extraordinarily profitable as to prove a major embarrassment. The shares are still at an historically wide discount to the market, and it is hard to see that changing over the rest of the summer. The market is not just unsure of what kind of downturn is coming; it does not know what it is discounting either.

step in the right direction, like Commercial Union's joint venture with Credito Italiano. Though Royal is paying \$50m for net assets of \$60m, the price is no worse than those paid by French and Swiss insurers for Italian companies in the last year; and Italian revenue law apparently permits Royal to offset the goodwill against taxes. The quibbles are real, none the less. Fifty-five per cent of Italcro's business is third-party motor, where Italy's officially approved rate increases are well below claims inflation. And Italcro has no life business of its own, though life assurance is Italy's best area of opportunity. One feels, too, that this deal is not much for Royal to show in Europe after 18 months of talks with Fondiaria and last year's vain flirtation with Groupe Victoire.

Markets The happy way in which the US markets responded to some fairly predictable GNP numbers yesterday was good for market stuff. Even after a 7 per cent rise so far this month, Wall Street still managed to advance further, while the bond market is at least two steps ahead of the Fed in terms of easing. It is all getting a bit over-optimistic, and even though yesterday's GNP figures were encouraging both in dimension and composition, they were not exactly news. The picture is now clear: economic growth is slowing, but there is no sign whatsoever of a recession. Meanwhile, the rise in stocks has been modest, the consumer is being brought to heel, and business investment and exports are taking up the slack. The Fed has presumably taken all that into account in its latest easing, so it will surely take more evidence to make it move more. However, the market is making much of

the fact that it has eased twice on the basis of last month's FOMC meeting, and thinks that means the same will happen for several months to come. At least that is what one year money at 7.75 per cent is bravely saying. Water mergers The UK water industry is in such a state of financial and operational turmoil that the last thing the Government wants is to have to pass judgment on a major merger among three of the more enterprising statutory water companies. After all, it is only just over six months since the authorities clamped down on the industry's merger mania by introducing a draconian amendment to the water bill allowing any future takeover of companies above a certain size to be referred to the Monopolies and Mergers Commission, on the grounds that a successful bid could reduce the number of independent companies. The problem for the Government is that the merger of three medium-sized companies in the London area makes a lot of sense. The companies have been co-operating together for a long time and the bigger group should be better placed to secure future water supplies. The political downside is that the French water giant, whose predatory behaviour was one of the main reasons for the takeover curbs, are heavily involved; and the neighbouring Thames Water could well use its undoubted lobbying skills to hamper the creation of a much more substantial competitor on its doorstep. Once again, the country's most antiquated stock market sector looks like providing the Government with a headache it could do without. Squibb It seems hard luck on Smith-Kline Beecham that it only had 24 hours after its formal merger to enjoy the title of the world's second biggest drug company. But it could perhaps regard the merger of Squibb and Bristol-Myers as a compliment. The consolidation of the drug industry is on with a vengeance, and others are latching on to Smith-Kline Beecham's realisation that merger is the way to avoid catastrophic earnings dilution. It seems a dangerous admission of weakness by both parties; but the defence is that if attached, either company could doubtless find a white knight in an industry desperate for acquisition.

Jaruzelski expected to resign as Communist Party leader

By Christopher Bobinski in Warsaw GENERAL Wojciech Jaruzelski, Poland's newly elected president, is expected to offer his resignation as Communist Party leader at a two-day meeting of the Central Committee which starts today. The meeting is the first real chance the committee will have had since last month's election catastrophe to appraise blame and members of the Politburo, such as Mr Stanislaw Ciosek, seen as responsible for the decisions which led up to the national ballot, will be hard pressed to defend their posts. Gen Jaruzelski is concerned to shed his party role and project a new non-sectarian image as President, taking his first step on Tuesday when he is to attend a Catholic church service at the unveiling of a monument to the 1944 Warsaw Uprising. The Central Committee meeting also has to decide on a candidate for Prime Minister and come up with a leader who will steer the party to its next Congress. The reformist wing

hopes to implement a modernisation at the Congress which would make the party attractive enough to stand a chance of winning elections. There is, however, a tangle of candidates for the post of First Secretary and any deadlock could mean that General Jaruzelski will have to stay as First Secretary until the issue is sorted out. Alternatively, a collective party leadership could be appointed, as is the case in Hungary. Today's meeting will also be attended by the Communist Party group in parliament, many of whom stood in the elections and won against the wishes and without the support of the party apparatus. Clashes are expected between them and the Central Committee which is set on accusing the deputies of falling to stand up to Solidarity in parliament. The plenum comes in the wake of yesterday's government meeting chaired by Mr Mieczyslaw Rakowski, the outgoing premier and the candidate for the top party post,

which postponed until tomorrow any decision on whether to press ahead with big food price rises, which would be introduced next week. The delay was due to the need to wait for Solidarity to decide its position on the matter. The official trade unions, are in favour of higher prices but, like Solidarity, have called for wage compensation. Less than three weeks ago, the Labour party, to which Mr Rabin belongs, threatened to bring down the coalition because Mr Yitzhak Shamir, the Prime Minister, had accepted hardline conditions proposed by rightwingers in his Likud party to strangle the initiative. Labour decided last Sunday to stay in government after reassurances from Mr Shamir that the peace proposals stood unaltered. Since then efforts to get the initiative off the ground have resumed with unexpected intensity, marked by the disclosure of a series of meetings between the Prime Minister and prominent pro-Palestine Liberation Organisation figures from the West Bank and Gaza Strip. Asked whether, despite the setbacks of the past month, the coalition could carry through its own initiative if the Palestinians agreed to get involved, Mr Rabin replied: "Yes, for the first phase."

Speaking to the Financial Times, he said that both Labour and Likud were committed by the Camp David accords with Egypt to a temporary period of Palestinian self-rule of the type proposed in Israel's latest initiative. Under the plan, this stage would be followed by negotiations on a final settlement at which all parties could make whatever demands they wanted. He said Labour and Likud would then have to split because Likud was committed to holding on to the West Bank and Gaza, while Labour was prepared to exchange some, but not all, of these

Blue Arrow claims new victim

By David Waller THE Blue Arrow affair yesterday claimed another casualty. Mr Christopher Stainforth resigned his post as a corporate finance director at UBS Phillips & Drew, the stockbroking firm which came in for severe criticism from the British government report into the Blue Arrow affair. Mr Stainforth's colleague, 28-year-old Mr Alexander Fraser, who was an assistant corporate director the time of the employment agency's abortive rights issue in 1987 - and who, with Mr Stainforth and two other P&D executives, was criticised in the report - has been suspended with immediate effect. Mr Rudolf Mueller, chairman

and chief executive of the London-based subsidiary of the Union Bank of Switzerland, said it was not appropriate to comment on the detailed findings of the Department of Trade and Industry inspectors until the Securities Association had completed its own inquiry into the affair. Mr Stainforth's conduct is described in the report as falling well below the standards expected of a responsible director of P&D and he is criticised for placing a "seriously misleading" advertisement about the take-up of shares in the rights issue. In P&D's first public response to the affair since the DTI report was published last

week, Mr Mueller said that it was unnecessary to change the structure or the strategy of the firm in response to the inspectors' findings. Explaining the decision to do no more than suspend Mr Fraser whose conduct in the summer of 1987 prior to the rights issue is described as falling below the standards expected of a responsible executive of P&D - Mr Mueller said that Mr Fraser was only a "B player" in the affair. The other two P&D employees mentioned in the report left the firm some time ago. Mr Martin Gibbs retired at the normal age while Mr Alastair Alcock has returned to the Bar.

promoting its policies and on launching a counter-offensive against the opposition. A series of ministerial initiatives are planned throughout the summer. At the Downing Street meeting, the Prime Minister outlined the Government's programme for the next parliamentary year and looked even further ahead to the run-up to the next general election. Responding to remarks by President Francois Mitterrand, who earlier this week warned

LIKUD-LABOUR COALITION Rabin backs first phase of peace plan

By Hugh Carnegie in Jerusalem MR YITZHAQ Rabin, Israel's Defence Minister, says he believes the present government could implement the first phase of its peace plan for the occupied territories - establishing interim Palestinian self-rule - without provoking a fatal split within the Likud-Labour coalition. Less than three weeks ago, the Labour party, to which Mr Rabin belongs, threatened to bring down the coalition because Mr Yitzhak Shamir, the Prime Minister, had accepted hardline conditions proposed by rightwingers in his Likud party to strangle the initiative. Labour decided last Sunday to stay in government after reassurances from Mr Shamir that the peace proposals stood unaltered. Since then efforts to get the initiative off the ground have resumed with unexpected intensity, marked by the disclosure of a series of meetings between the Prime Minister and prominent pro-Palestine Liberation Organisation figures from the West Bank and Gaza Strip. Asked whether, despite the setbacks of the past month, the coalition could carry through its own initiative if the Palestinians agreed to get involved, Mr Rabin replied: "Yes, for the first phase."

Like the Prime Minister, Mr Rabin continued to rule out negotiations with the PLO. He said Israel would not accept a PLO suggestion that a Palestinian team to negotiate terms for elections leading to interim self-rule would include at least two members from outside the occupied territories. But the Defence Minister said he assumed "certain modifications," which he declined to specify, would be made to the peace plan if the Palestinians agreed to get involved. He was also equivocal on negotiating with local Palestinians with PLO links. "The initiative is directed to the Palestinians in the territories. We don't put any limitations on their movements. I believe that they have to consult elements in the Arab countries, other people in the international community and there might be, here and there, others too. As long as they are the address," Mr Rabin has so far persuaded Labour, many of whose members fear the party is being siphoned by Likud in a futile bid for peace, that the fragile peace plan is worth sticking with.

Table with 4 columns: Location, Temp, Wind, Rain. Lists various cities like Adelaide, Algiers, Amsterdam, etc.

Thatcher launches counter-offensive

Continued from Page 1 her reservations about closer monetary and economic ties with the European Community, the issue believed to have led to Mrs Thatcher's decision to move Sir Geoffrey. The Prime Minister's earlier remarks in cabinet were being taken to mean that she would like Mr Nigel Lawson, the Chancellor, to remain in his post as part of the team to fight the next election contest. The Prime Minister emphasised that she wanted a period of stability in which the government could concentrate on

promoting its policies and on launching a counter-offensive against the opposition. A series of ministerial initiatives are planned throughout the summer. At the Downing Street meeting, the Prime Minister outlined the Government's programme for the next parliamentary year and looked even further ahead to the run-up to the next general election. Responding to remarks by President Francois Mitterrand, who earlier this week warned

that progress on economic and monetary union could be made without France, Mrs Thatcher told MPs that Britain was ahead of France in respect of the free movement of capital, the abolition of exchange controls and the reduction of industrial subsidies. She said that at the recent Madrid summit it was France which had been isolated. "Nothing will persuade me to surrender the sovereignty of this House to a European parliament," she added

WATSONS COMMENT ON EUROPE. 1992 EUROPEAN CAPITAL MARKETS AFTER 1992. Includes contact information for Watsons Europe and details about their services.

صدا من الامم

SECTION III

FINANCIAL TIMES SURVEY



Colombia contradicts the axiom that economic health is undermined by social conflict and a climate of insecurity. The economy is thriving and foreign companies are content with their profits despite the risks, writes Robert Graham, Latin America editor

Turmoil and achievement

IN A RECENT raid against a drug trafficker's ranch, Colombian government troops found a herd of cattle in the way. The cattle refused to move and were caught in the cross-fire. Despite the sustained din of battle, only one cow stampeded. The story is an apt parable of Colombia today. It has become the most violent society in Latin America, sprouting a bewildering number of conflicts, the protagonists of which behave with the cynical callousness of Chicago gangsters. At the same time, the majority of Colombians are caught in the cross-fire yet manage to pursue orderly lives devoted in their religion, conservative in their tastes, loyal to family and firm believers in Colombia's long-standing tradition of democracy. It is as if two totally different societies share the same state. A vibrant democracy exists alongside a total disrespect for the rule of law; competent civil servants administer an efficient bureaucracy yet large slices of the country evade all state controls. Colombia overturns the received wisdom that social conflict and a climate of insecurity undermine economic activity. The economy has

managed to thrive, with business confidence generally bullish and foreign companies content with their profits despite the risks. Colombia has the unique status of being the only Latin American country to have sustained growth throughout the debt crisis and avoid the need to re-schedule its \$16.4bn debt. Over the past two decades, annual growth rates have averaged almost five per cent. In less than 10 years the economy has diversified enough to escape its traditional dependence on coffee, although it remains the second largest coffee exporter after Brazil. Colombia is now the world's second biggest cut-flower exporter, the third largest coal exporter, as well as being the region's second gold producer and fourth oil exporter. These achievements suggest the authority of the state extends only so far as different interest groups permit and that everyone finds a common denominator in the value of economic growth and increased prosperity. At least in the economic sphere, successive governments have been allowed to get on with the job and they have pursued cautious, well-managed policies. The present Liberal adminis-



Recycling rubbish in Bogotá: the informal economy has an important role to play

COLOMBIA

tration of President Virgilio Barco, approaching its fourth and final year, has proved no exception to the rule. Ironically, this combination of competent administration and prosperity has probably helped anaesthetise the country against the degree to which law and order has broken

down. The country's capacity to absorb violence has also been helped by its sheer size, its mountains and the distribution of its nearly 30m population. The Andes in Colombia splits into three rugged north-south chains and, even today, land communications are poor.

The population is well distributed between the main cities of Bogotá, Cali and Medellín, in the centre, and the coastal towns of Cartagena and Barranquilla. This has created strong regional identities with considerable devolution of administrative power to the provinces. Colombia today is the battle-

ground of as many as seven different, but often inter-related, conflicts. The government is involved in varying degrees of combat with three leftist guerrilla groups; the government is also trying to stamp out para-military right wing death squads and is battling to curb the power of the drug barons. The right wing death squads, clandestinely backed by elements of the security forces and in alliance with the drug barons, are, meanwhile, waging a ruthless campaign of murder and intimidation against the left in the unions and in local authorities. The three remaining conflicts are, effectively, private wars over business rights. The main guerrilla group, FARC, has become a cocaine producer and is defending its interests against the traditional drug traffickers. Rivalry among traffickers has resulted in a bloody war of reprisal between the "Medellín Cartel", which controls 80 per cent of the drug trade, and the smaller "Cali Cartel". Simultaneously, there is a vicious battle for control of the emerald trade, the original contraband business from which marijuana and their cocaine evolved. Since none of these combatants, including the security forces, show much respect for human life, the casualties are horrendous. Furthermore, the existence of so many different conflicts makes it easy to hide the authorship of crimes, so encouraging greater abuse. In the first five months of this year, 1,232 people were killed in identifiable political assassinations, 40 per cent up on the same period in 1988, according to statistics compiled by the President's office. The Catholic research institute, CINEP, using a broader definition of political killing, estimates 2,342 died in the first four months of the year.

The rise in casualties partly reflects increased activity by the security forces after public concern over their lack of success on all fronts. The drugs business has been hit especially hard this year. Some 21 tonnes of cocaine have been seized in six months, three tonnes more than the whole of 1988. But the power of the drug barons to coerce society, corrupt justice and make money, has been little affected. Though the leaders have arrest warrants on their heads, they remain at large and "narco-dollars" are so pervasive as to be indistinguishable from clean money. Ministers argue with good cause that the drugs business will only decline when demand is curbed in the US and Europe. One of the ugliest aspects of the drugs traffickers is their backing of para-military right wing death squads.

After mounting evidence that these groups have become responsible for the bulk of recent killings, the security forces have been finally persuaded to go on the offensive against them. According to the President's office, right wing para-military groups have been responsible for between 70 per cent and 80 per cent of political assassinations in the past 18 months. In good measure, this reflects their private war against members of the leftist party, Patriotic Union (UP), who did well in the country's first direct municipal elections last year. The UP has grown out of the Communist-inspired guerrilla movement, FARC, as a result of peace initiatives set in motion five years ago. The party has firmly established itself as a third force in the democratic arena alongside the two traditional parties - the Conservatives and Liberals. President Barco hopes the UP example can be followed by the 12,000 guerrillas still under arms. Last September he made a peace offer proposing amnesty and political integration, provided the guerrillas laid down their arms. In January the offer was taken up definitively by the small group, M-19, and partially by the FARC and the Popular Liberation Army (EPL). A unilateral cease-fire by these groups is holding and a commission of notables has begun soundings with the guerrillas to establish

'Narco-dollars' are indistinguishable from clean money

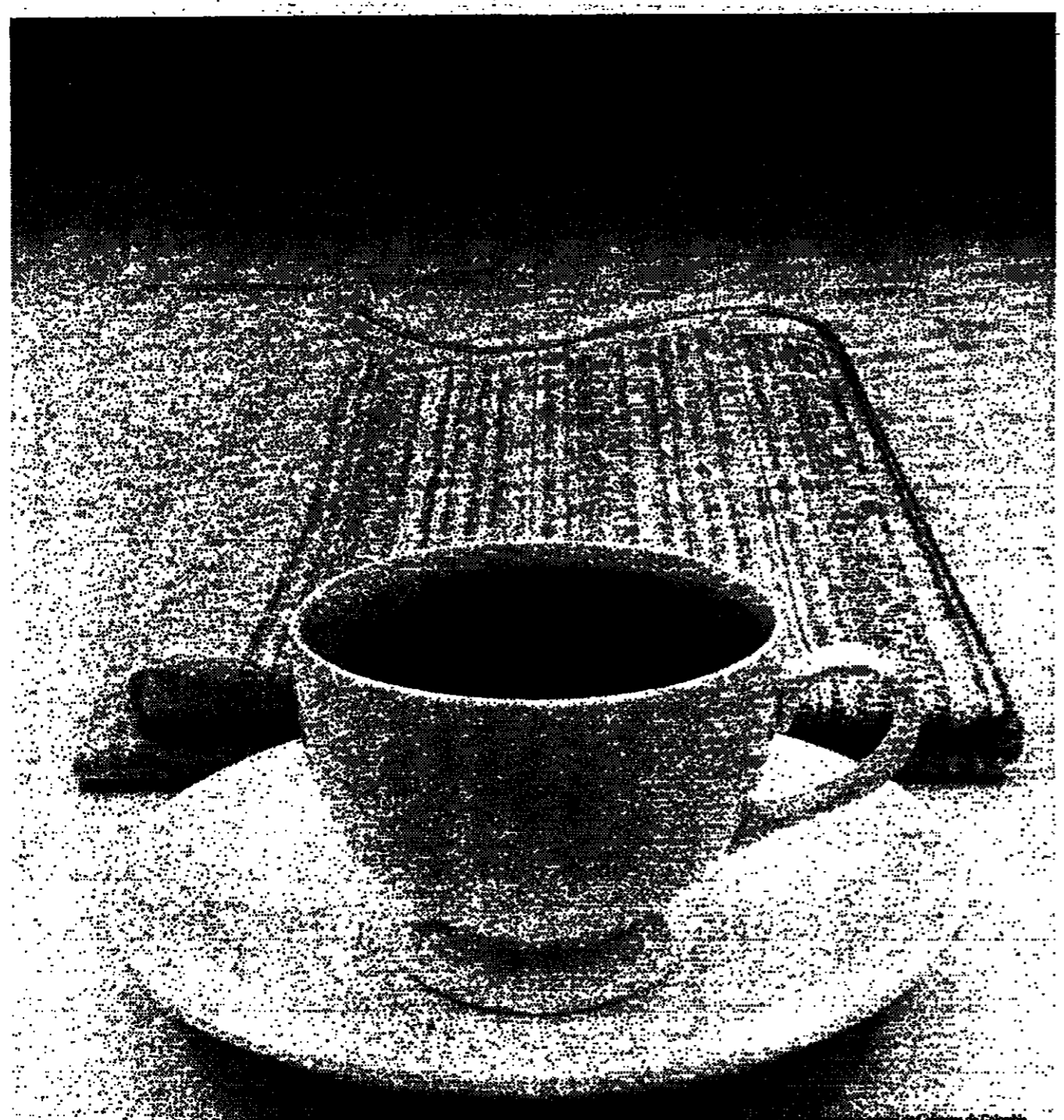
if there is common ground with the government. The latter can do little more than wait for the guerrillas to respond to the offer of amnesty. The erosion of public support for the guerrilla groupings is near complete. The guerrillas themselves have lost their ideological commitment and have become more like bandits. The FARC devotes most of its energies to the drugs business. The most militarily-active group is the 1,300-strong National Liberation Army (ELN), led by a former Spanish priest espousing an ill-defined version of popular power and radical nationalism. The ELN has taken advantage of poorly-defended economic targets to wreak havoc through sabotage. In the past 18 months, the ELN has caused \$380m-worth of damage to the oil industry, mainly as a result of frequent damage to the 780-kilometre pipeline carrying crude from the oilfields round Arauca to the coast. Although all oil con-

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Photography: The Timothy Ross Picture Group; Sarita Kendall
Editorial production: Diane Summers

tracts are still being honoured, such sabotage is expected to cause a 20 per cent cut in exports this year. The group has also taken over up to 50 gold mines and damaged valuable banana export plantations.

The increased cost of coping with this diffuse array of security problems has distorted government spending and is a prime cause for the 1989 budget deficit which is projected at 2.3 per cent of GDP. Controls on public spending have had to be tightened and growth targets have been lowered from 4.6 to 4 per cent. This deceleration does not yet spell a recessionary trend - even accounting for the consequences of this month's collapse of the International Coffee Agreement. The sharp fall in coffee prices was not unexpected, and the Colombian coffee industry is well equipped, in the short term, to sell more in volume to compensate. Nevertheless, the longer term effects of an unstable coffee market could be unsettling. Uncertainties surrounding coffee could weaken the government's resolve to introduce sweeping trade liberalisation measures and begin de-regulation of the financial system. Both the ruling Liberals and the opposition Conservatives recognise that Colombia's future economic development will benefit from a freer market and more emphasis on export-led growth. However, the country is entering a pre-election year and party politicking is going to dominate the Congress. Business, as a whole, is afraid of liberalisation and is liable to do its best to twist Congress's arm in this respect. The last say on economic liberalisation - as, indeed, on any other issue - remains with the coterie of the country's former presidents. With the president constitutionally barred from consecutive terms of office, Colombia has evolved a political system which permits ex-presidents to wield enormous influence behind the scenes. Unfortunately, this power is exercised without real accountability and, in the case of President Barco, has undermined his authority.



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COLOMBIA 3

Robert Graham on a long-standing border dispute with Venezuela

Pushed towards co-operation



BORDERS ARE a sensitive topic throughout Latin America, and few countries can claim to have the limits of their territory fully agreed with their neighbours.

to one of access to potential resources, once Venezuela discovered oil in the Maracaibo area.

Colombia was also recognised as a riparian state on the shores of the Gulf. This eventually permitted Colombia to obtain 50 kilometres along the Gulf shore under the 1941 Colombian-Venezuelan Frontier Treaty.

Venezuela's inability to produce a formula that satisfied nationalist sentiment and Colombian frustration over lack of agreement led to increased tension.

Although the Venezuelan recession of the past three years and Colombia's sustained prosperity during this time has reversed the flow, at least 600,000 Colombians are still living in Venezuela, mostly doing menial jobs.

In 1987 Colombia initiated a series of probing missions by both fishing vessels and warships. Venezuela came close to calling an air strike

This two countries came close to armed conflict in August 1987 over an incident in disputed waters of the Gulf. This incident, however, had a salutary effect and, since then, both sides have sought to establish a modus vivendi.

Unfortunately, the 1941 Treaty did not cover demarcation of the marine and submarine areas in the Gulf, which have been the source of subsequent friction.

Over the years, several opportunities to settle the dispute have been missed. As early as 1883, both sides drew up a treaty which recognised the Gulf as a Venezuelan inland sea.

Over the following nine months both sides nursed bruised egos, while their respective military establishments shopped around with big lists of new weaponry.

In addition, a vast and fluid trade in contraband goods has thrived on the two governments pursuing wholly unmatched economic policies.

It says much of the nationalistic sensitivities of both sides that the Gulf of Venezuela dispute dates back more than 160 years, to when Colombia and Venezuela became independent. Originally the dispute was over whether Venezuela would be able to claim the entire Gulf as an inland sea.

When in 1981 the Spanish crown was asked to arbitrate on the two countries' frontier, Colombia was awarded a large slice of territory down the Guajira Peninsula to Castilletes.

Talks headed off a confrontation; but no real progress was made, other than for Venezuela to make it plain that it would accept nothing less than the lower half of the Gulf as purely Venezuelan.

The discovery and development in the early 1980s of oil fields on the Colombian side of the tropical plains around Arauca spawned a serious security problem.

It is against this background that a new sense of pragmatism has permeated both sides. The catalyst has been the presence since February of Mr Carlos Andres Perez in the Venezuelan presidency.

But the argument about strategic control over entry and exit to Lake Maracaibo shifted

When in 1981 the Spanish crown was asked to arbitrate on the two countries' frontier, Colombia was awarded a large slice of territory down the Guajira Peninsula to Castilletes.

By 1980 a fresh series of negotiations produced a working agreement. This time, however, the Venezuelan military stepped in and rejected the agreement because not enough of the Gulf was recognised as Venezuelan.

At the same time, however, feeding off the presence of foreign oil companies, the National Liberation Army (ELN), a leftist guerrilla movement, has grown strong. Their kidnappings, sabotage of installations and blackmail of local inhabitants have proved highly disruptive.

A fluid trade in contraband goods has thrived on unmatched economic policies

This historic meeting led to the creation of a five-man international conciliation commission, headed by Mr Adolfo Suarez, the former Spanish Prime Minister, and including two former Latin American presidents.

There are no new words of condemnation left - but the killings continue, writes Sarita Kendall

Violence touches every corner of society

"ONCE AGAIN, we must close ranks for the right to live, for democracy..." said President Barco at the funeral of the governor of Antioquia who had been killed by a car bomb.



M-19 guerrillas relax as talks with the government take place

There is also a whole vocabulary to describe different kinds of armed groups, an endless supply of deadly anecdotes, and plenty of black humour. A quarterly magazine put out with one of the main Bogota newspapers does a regular statistical round-up, listing political murders, drug-related killings, military losses, tortures and disappearances.

The biggest guerrilla movement is the pro-Soviet Revolutionary Armed Forces of Colombia (FARC), with some 45 fronts. They grew out of a self-defence organisation formed during the civil war in the 1950s, known simply as the Violence.

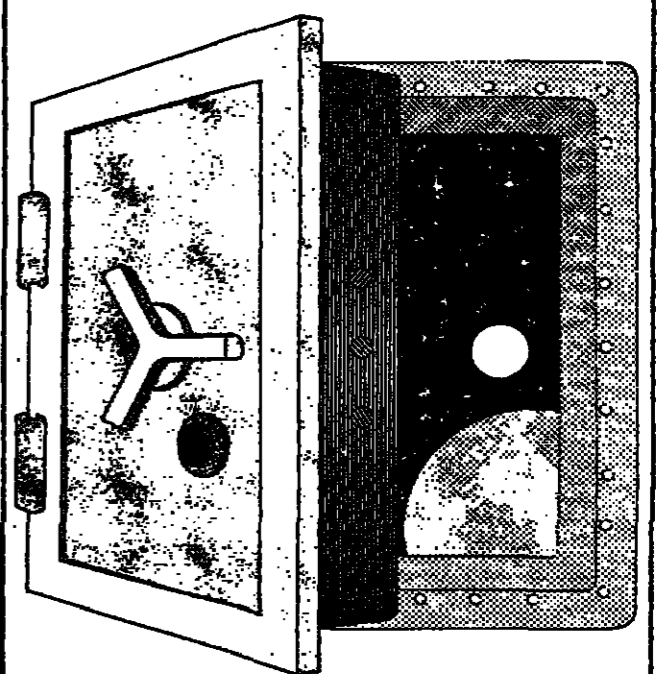
rigidly Maoist organisation. One splinter group specialised in killing policemen, and did not survive long. Strong in Antioquia and the north west, the EPL has more recently become involved in the labour conflicts of the banana growing region of Uraba.

of its former size, M19's leadership is discussing peace with the government and the main force is camped in neutral territory in Cauca. The Quintin Lame rebels - named after an Indian resistance hero - were fostered by M-19, and operate in the indigenous areas of Cauca.

adviser on peace. All along the government has moved slowly and taken no risks, saying the guerrillas must show, with actions rather than words, that they are committed to a lasting ceasefire.

All the actors in the violence have been increasing their fire power. Although one big arms shipment - apparently meant for the guerrilla co-ordinating body - was stopped in Jamaica, many other arms-for-coffee exchanges have, it seems, gone through.

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"The problem is, you don't know who anyone is any more"

The confusion about who is who and, for example, why the Antioquia state governor was murdered, fuels a sense of impotence which the government has been unable to dispel.

The National Liberation Army has moved from a Castro-style rebel army with student appeal to oil sabotage. It specialises in dynamiting oil pipelines and gold dredges, and has threatened to extend its anti-natural resource campaign to coal.

After the collapse of the Betancur administration's peace treaties, the incoming Liberal government moved very cautiously. President Barco stressed development plans for violence-ridden zones, and appointed a presidential

Many arms-for-coffee exchanges have gone through

subversion," said Senator Alvaro Leyva of the Conservative party. "The government hasn't defined its position. There has been no initiative."

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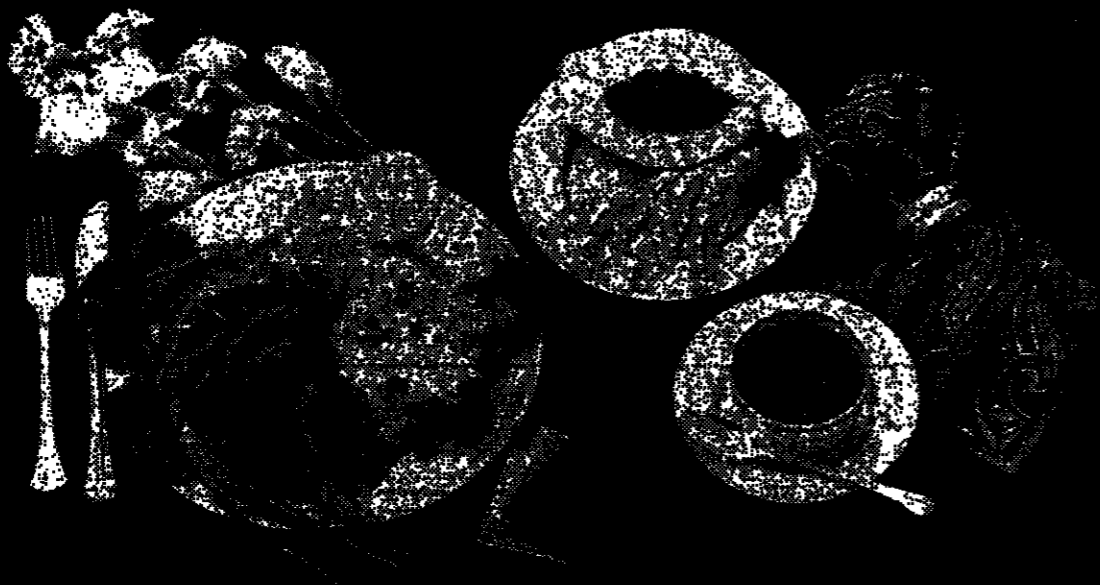


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# SURPRISING COLOMBIA

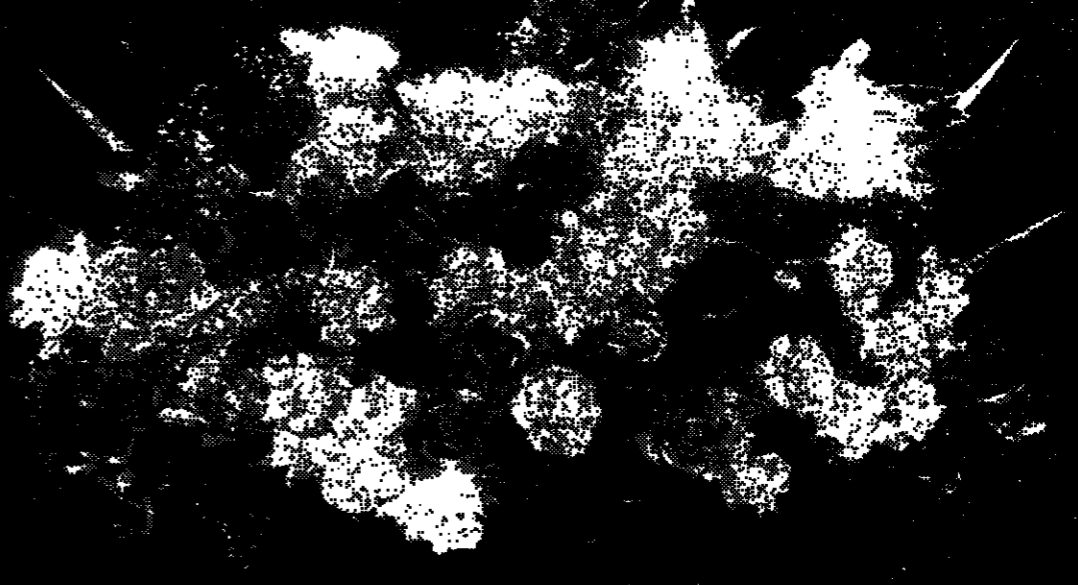
Can you find the rich, robust Colombian export in this picture?



If you guessed the cup of Colombian coffee, you're only partly right. But you'd also be right if you guessed the succulent seafood, the exotic fruits, the beautiful flowers, the lovely fabric of the tablecloth, even the fine leather wallet. All of them are Colombian exports, and all of them are part of a diverse economy that is one of the fastest-growing in Latin America.

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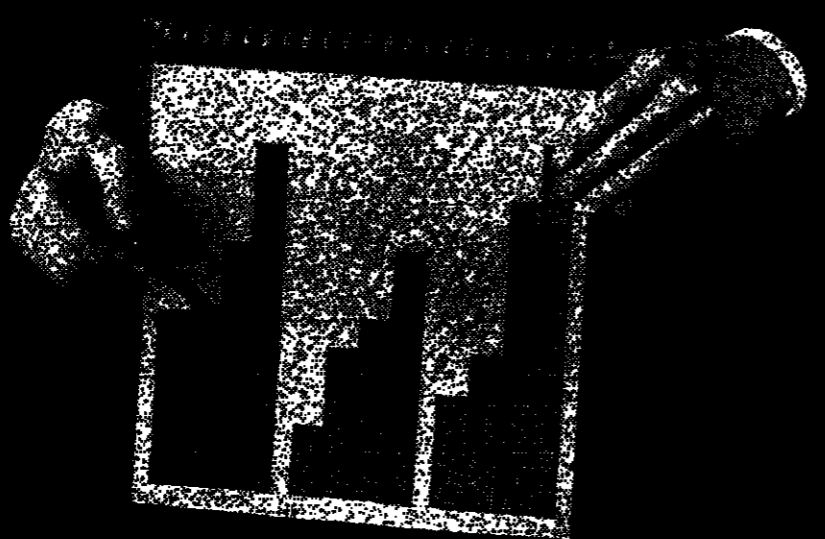
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It pays to get to know us better.

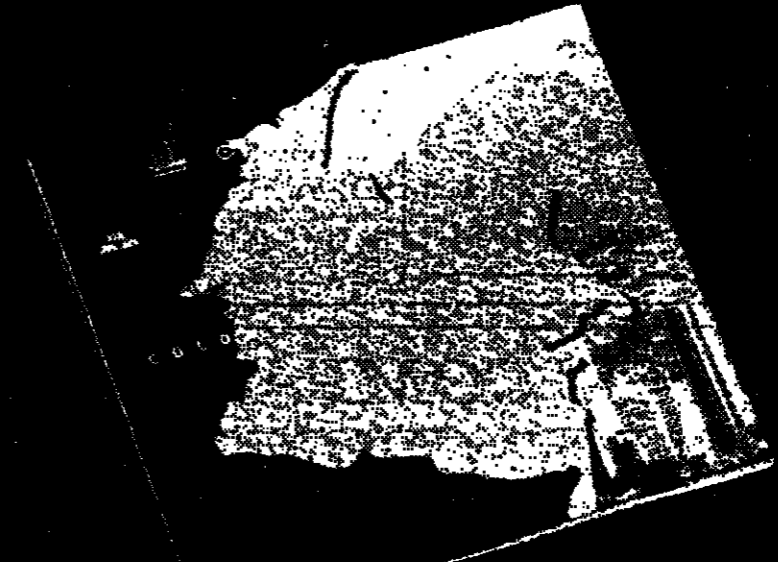
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It's pays to get to know us better.

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ICI profits up 18% in line with expectations

By Clare Pearson IMPERIAL Chemical Industries, the UK's biggest chemicals company, yesterday announced pre-tax profits 18 per cent higher at £255m in the six months to the end of June, up from £216m in the comparable period.

The results were broadly in line with market expectations and the shares closed 1/8 higher on the London Stock Exchange at 212.5p.

There was a 241m increase in the second quarter over the first, largely representing gains on disposals such as Coopers Animal Health, and rationalisation in Canada. Exchange rates were more favourable during the second period and contributed about 22m to profits over the half.

Royal acquires Italian insurer

By Patrick Cockburn ROYAL INSURANCE, the British composite insurer, is buying Lloyd Italico, a general Italian insurer, for £29m from Italy's Fondiaria Group. Fondiaria will retain a 10 per cent interest in the new subsidiary.

BAT employs US 'detective agency'

By Nikki Tatt HOYLAKA, the vehicle through which a consortium headed by businessman Sir James Goldsmith is making a £12m bid for BAT Industries, last night bit out at BAT's decision to employ Kroll Associates, the corporate research firm, as part of its defence.

INSIDE

Ford and GM feel pinch at home

The softening of demand in the US car and truck market began to take its toll in the second quarter on General Motors.

Slide from greatness

In the second half of the nineteenth century Zanzibar became one of the Indian Ocean's richest trading centres on the strength of its clove industry.

Stormy Bombay

The stock market in Bombay, where gales and floods caused severe damage over the weekend, has been more unsettled by the political tremors resulting from the latest twist in the Bofors arms sale affair.

Tough message

In Washington the 1985 US Farm Programme - which has contributed to thousands of small farms going out of business - is seen by the Administration as having been more successful than not.

Spain faces up to the end of an era

After nearly 30 years of virtually unchallenged trading privileges, today is the last day that Spain's Agencias de Cambio y Botas, the licensed notaries who have a trading monopoly, will walk on to the floors of the bourses in Madrid, Barcelona, Valencia and Bilbao and trade as individuals.



How Bob Bauman made merger history

Tony Jackson talks to the operational head of the newly-created drug company SmithKline Beecham

At ten o'clock this morning, in an unimpressive office block in Brentford, west London, Bob Bauman is the world's biggest drug companies holds its first ever board meeting. It came into existence less than 48 hours earlier, in the first big transatlantic merger in modern business history.

The second question was what the odds were of being able to complete it. The conventional idea is that you, as you announce a merger, you put yourself in play. It's fair to say that a lot of people said the risk profile was very high.

Market Statistics table with columns for various market indicators and their values.

Companies in this section table listing various companies and their market status.

Chief price changes yesterday table showing percentage changes for various market sectors.

New York prices as at 23.00 table listing prices for various commodities like gold, silver, and oil.

Eurotunnel lenders await data on costs

By Norma Cohen LENDERS TO Eurotunnel are waiting for data on cost overruns from the Anglo-French Channel tunnel group which will determine whether it is in danger of default on some £5bn in credit lines.

Mister Magic Management Buy-out of M Mercado Ltd from Next plc. Equity and Mezzanine Finance provided by Phildrew Ventures. Debt Finance provided by Bank of Scotland. PHILDREW VENTURES structured, led, and underwrote the financings. PHILDREW VENTURES TRITON COURT, 14 FINSBURY SQUARE, LONDON EC2A 1PD. TELEPHONE: 01-628 6366.

Vertical text on the left margin including 'Sarita Kendall', 'DSSom', 'Three Eggs', 'mbia', 'bor.', and 'L.L.'.

INTERNATIONAL COMPANIES AND FINANCE

Victoire to link up with W German insurer

By George Graham in Paris and Halg Simonian in Frankfurt

VICTOIRE, the French private sector insurance group, is to link up with Colonia, an insurance subsidiary of West Germany's Sal Oppenheim private bank.

rights. Compagnie Industrielle was until recently controlled by Mr Jack Frances, the former head of Suez, who made way earlier this year for Mr Jean-Marie Verne, the financier.

writing provisions of FF748.8bn. The seventh largest insurer in France, if both nationalised and mutual insurance groups are included, Victoire is also one of the most profitable, with a net margin of 8.6 per cent last year compared with an average of 6 to 7 per cent for the rest of the French insurance sector.

The company, based in Cologne, specialises in property and casualty insurance, which makes up over 65 per cent of its premium income. However, it has a number of subsidiaries, the most important of which is Colonia Leben, its life operation, which represents almost 30 per cent of total premium income.

Some analysts have suggested that Colonia's growth has been constrained in recent years by the parent company's inability to inject sufficient new capital to finance expansion. Thus Colonia has appeared to lag behind in the recent deomestic race to offer a wider range of financial services bridging banking and insurance products.

Parretti pays bail on forex charges

By Peter Bruce

MR GIANCARLO Parretti, the Italian financier and chairman of the Pagine Gialle group, was forced yesterday to pay bail of Ptas500 million to avoid possible imprisonment while an investigation into charges that he broke Spanish foreign exchange regulations is carried out.

According to the Bank of Spain's monetary investigations brigade, Mr Parretti, who has important investments in Spain, recently made unauthorised payments of Ptas500 million (\$24,000) to a business colleague in Andorra, Mr Antonio Cornella, who is also under investigation.

The payments were carried out on his behalf by Mr Parretti's senior business partner in Spain, Mrs Barbara Darier, and both she and Mr Cornella have also been given preventative sentences, though they have been allowed to remain free without paying any bail.

All three, though, have been told to lodge Ptas500 million each with the court as surety should any civil proceedings eventually be taken out against them.

Mr Parretti is the chief shareholder in Benta Inmobiliaria, a growing Spanish property group, which is quoted on the Madrid stock exchange. He took over the group, once part of the Rumasa financial group, in 1987.

An aide to Mr Parretti in Madrid yesterday said the charges against him were "cray" and a "set-up", but that the bail had been posted in the morning, well within the 72-hour deadline set by the investigating magistrate on Wednesday night.

Under Spanish law, payments made in non-convertible pesetas on Spanish soil by non-residents for transfer out of the country are illegal. Mr Parretti, the central bank's monetary investigations team alleged, gave five Ptas100 million cheques to Mr Cornella, who then took them to Andorra, where they were deposited with the Banco Agrícola y Comercial.

Banesto in dispute with affiliate over \$130m bond issue

By Peter Bruce in Madrid

A POTENTIALLY damaging row has emerged between Banco Espanol de Credito (Banesto), one of Spain's main commercial banks, and one of its large industrial affiliates, Carburros Metalicos, a Catalan chemicals group.

The dispute is over an issue in the Euromarkets earlier this month by Banesto of warrants worth some 18 per cent of Carburros equity about which its management says it has still not been informed.

Angry complaints yesterday by Carburros' managing director, Mr Juan Grau Almirall, came at a delicate time for Banesto, which is trying to reform its vast industrial holdings and which has asked the Finance Ministry to forgive capital gains tax worth more than Ptas25bn (\$212m) if its industrial assets are revalued and transferred to a new holding company.

Banesto closed a \$130m bond issue, with detachable warrants, in the Euromarkets on July 10. A novel element of the issue was that the warrants were convertible into equity in Carburros. Mr Grau said yesterday that he estimated the warrants issued were worth 18 per cent of his company.

Banesto owns just under 20 per cent of the chemicals group, making it the second largest shareholder after Air Products, but no-one at the bank's headquarters in Madrid could say yesterday whether the warrants implied it planned eventually to extract itself from Carburros.

Mr Grau said Carburros management was "very perplexed" by what Banesto had done. "We still don't have any detailed information yet," he said. "I do not understand exactly what is going on."

Banesto's political problem might be that issuing warrants will reinforce already widespread suspicions in Government that the bank makes too much use of its industrial assets to finance its own operations and its modernisation. The bank's proposals to set up a new industrial holding company, grouping hundreds of important Spanish manufacturing companies, would transform its balance sheet.

The July 10 bond issue was designed to meet Banesto's long term foreign currency requirements but its chairman, Mr Mario Conde, has said that once the holding company is established and quoted on the stock markets that he might withdraw from selected industrial sectors.

But Banesto has already run in to trouble this year for boosting its profit and loss account with asset disposals. In January, shareholders complained that nearly half the Ptas9bn pre-tax profit for 1988 could be traced back to sales of assets to its subsidiaries.

Mr Conde has threatened not to go ahead with the formation of the industrial holding company if he does not get the tax breaks from the Finance Ministry. The Government, though, remains sceptical, largely because the asset transfer that would give rise to capital gains tax will be occurring within the Banesto group and not as the result of a merger.

BBV ahead at mid-term

By Our Financial Staff

BANCO BILBAO Vizcaya (BBV), Spain's largest bank group, yesterday announced group consolidated net profit of Ptas5.5bn (\$566m) for the first half of 1989 against Ptas2.4bn a year earlier.

Return on assets was 1.85 per cent compared with 1.73 per cent. BBV said cash-flow after provisions rose 20 per cent to Ptas97.5bn but gave no comparative figure. The bank last year announced a first-half cash-flow figure, before provisions, of Ptas102.25bn.

Consolidated shareholders' equity rose above Ptas500bn in the first half. Market capitalisation at the end of June was Ptas37bn, the sixth largest for any bank outside Japan.

The smaller Banco Popular lifted consolidated earnings for the first six months of 1989 to Ptas18.37bn from Ptas15.49bn.

Second-quarter reverse at Norsk Hydro

By Karen Fosell in Oslo

NORSK HYDRO, Norway's largest publicly quoted company, saw second-quarter net profits more than halved to NKR451m (\$65.4m) from NKR924m in the first quarter, reflecting weaker markets and sales in three of the company's four main business sectors.

The downturn pushed half year net income down to NKR1.7bn from NKR1.94bn last year. Half-year group operating income rose to NKR4.21bn from NKR3.58bn, helped by higher world crude oil prices, increased crude oil access and a higher US dollar value.

The sharp increase is due in part to the acquisition of the Rowntree group of the UK and the Italian company Buitoni-Peruggina. Excluding these and other acquisitions consolidated since mid-1988, and several divestments, turnover growth would still have been 19.4 per cent.

This increase is attributed by the Vevey-based parent company both to higher sales volumes and to favourable exchange rates. It expects a further rise in turnover in the second half.

For the year as a whole, Nestlé expects a rise in group sales of some 15 per cent, "provided there is no fundamental change in exchange rates."

Last year, sales had already gone up by 15.4 per cent to a record SFr40.68bn.

First-half profits are not to be published - for the first time - until September.

Second-quarter divisional results out-performed last year's with the exception of petrochemicals, but slipped from the first quarter. The agriculture division experienced the greatest setback in the second quarter with operating income plunging to NKR257m from NKR619m in the opening three months.

The division's European sales in the second quarter were proportionately smaller than in the first while overseas sales were below last year's level. Uncertainty and lower prices for ammonia and urea combined with normal seasonal fluctuations forced product inventories to be written down by NKR75m.

The oil and gas division by far out-performed other sectors with second-quarter operating income rising to NKR694m from NKR609m in the first quarter. Half-year operating income was NKR1.34bn against NKR707m last year.

Light metals saw second-quarter operating income nearly halved to NKR384m from NKR706m in the first quarter as metal prices declined while raw materials prices increased.

Though productivity improved, Hydro's markets were weaker this quarter. Half-year operating income rose to NKR1.68bn from NKR1.18bn last year, however, petrochemicals experienced a decline to NKR211m in second-quarter operating income from NKR314m in the first period.

Half-year operating income also declined to NKR625m from NKR651m last year.

Hydro explained the decline as a result of flat PVC prices and lost production due to a maintenance and modification shutdown at an ethylene plant to increase production capacity.

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Static half-year at Commerzbank

By Halg Simonian in Frankfurt

GROUP PARTIAL operating profits at Commerzbank, West Germany's third biggest bank, remained virtually unchanged at DM320m (\$278m) in the first six months of this year compared with DM515m in the same period of 1988.

Partial operating profits at parent company level rose by 3.8 per cent to DM340m, while full operating profits, which are not disclosed but include gains from trading on the bank's own account, were below last year's figure on account of lower earnings in securities and foreign exchange trading.

Interest income at parent bank level grew by 1 per cent to DM1.19bn, while fee earnings jumped by 18 per cent to DM528m against the corresponding period last year, thanks to buoyant business in securities. For the first time, the bank released figures for interest and fee earnings at group level, which reached DM1.49bn and DM555m respectively.

The bank's figures confirm the continuing buoyant trend in domestic lending, with a marked rise in its long-term credit business. Deposit growth has also shown some signs of recovery.

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French bank has licence revoked

By Peter Bruce

THE BANK of France said it had withdrawn the banking licence of Lebanese Arab Bank (LAB) and had alerted the public prosecutor to certain irregularities found in the bank's accounts, Reuters reports.

In yesterday's statement, the central bank said LAB needed more than FF240m (\$37.3m) to cover bad debts, but reserves stood at only FF78m.

An official receiver has been appointed.

An official receiver has been appointed.

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Nestlé lifts interim sales 35%

By John Wicks in Zurich

NESTLÉ, the Swiss-owned international food concern, recorded a rise in its consolidated sales of 35.4 per cent for the first half of 1989 to SFr23.6bn (\$14.4bn).

The sharp increase is due in part to the acquisition of the Rowntree group of the UK and the Italian company Buitoni-Peruggina. Excluding these and other acquisitions consolidated since mid-1988, and several divestments, turnover growth would still have been 19.4 per cent.

This increase is attributed by the Vevey-based parent company both to higher sales volumes and to favourable exchange rates. It expects a further rise in turnover in the second half.

For the year as a whole, Nestlé expects a rise in group sales of some 15 per cent, "provided there is no fundamental change in exchange rates."

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PECHINEY INTERNATIONAL Listing on the Paris Stock Exchange 19,101,336 Ordinary Shares

SHIMIZU CORPORATION U.S. \$700,000,000 4 per cent. Notes 1993 with Warrants

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Leadership

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INTERNATIONAL COMPANIES AND FINANCE

Soft demand hits US auto groups

By Anatole Kalatsky in New York

THE SOFTENING of demand in the US car and truck market began to take its toll in the second quarter on General Motors and Ford, the world's leading automotive manufacturers.

company's information services subsidiary whose stock trades separately from the parent company, earned \$105m or 87 cents a share, 9 per cent up on the \$95m or 75 cents last year.

GM's worldwide factory sales of 2.18m vehicles were 2.9 per cent below last year's level. Sales of vehicles built in the US and Canada were down by 6.5 per cent to 1.56m units.

profits of \$173m, 20 per cent below last year's contribution. The geographical breakdown of automotive profits revealed Ford's steadily increasing reliance on its operations outside the US.

Cautious DEC ends year on weak note

By Roderick Oram in New York

DIGITAL EQUIPMENT has reported a 22 per cent fall in fiscal fourth-quarter earnings with weak US demand for its computer products offsetting strong sales abroad.

Net profits for the quarter ended July 1 fell to \$313.2m or \$2.51 a share from \$401m or \$3.08 in spite of a 5 per cent increase in revenues to \$3.49m from \$3.34m.

Delta and UAL earnings soar to record levels

By Karen Zagor in New York

UAL AND Delta Air Lines, two leading US airline companies, helped justify analysts' expectations of a strong quarter for the airline industry by reporting record earnings.

For the three months ended June 30, UAL, parent of United Airlines, the second largest domestic carrier, saw income advance 14 per cent to \$141.1m or \$6.52 a share from \$124.2m or \$5.77 the previous year.

Operating expenses in the quarter increased 19 per cent to \$2.03bn, with operating capacity up 5 per cent. Passenger revenues rose 24 per cent to \$2.17bn as a result of an 18 per cent increase in revenue per passenger mile and a 4 per cent rise in the average yield per passenger mile.

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BCE edges ahead to C\$542m

By Robert Gibbens in Montreal

BETTER results from its telecommunications utility and acquisition of Montreal Trustco brought a 4 per cent gain in first-half earnings at BCE, Canada's largest holding company.

Net profit was C\$542m (US\$459m) or C\$1.61 a share, up from C\$519m or C\$1.52 on fewer shares outstanding. Revenues were ahead by 9 per cent to C\$2.1bn.

Imasco climbs to C\$144.4m

IMASCO, the Canadian financial services, retailing and tobacco products group 40 per cent owned by BAT Industries of the UK, has reported an 18 per cent gain in first-half earnings, Robert Gibbens writes from Montreal.

Theme parks buoy Walt Disney

By Karen Zagor

WALT DISNEY, the US entertainment group which has been enjoying a revival in fortunes, yesterday reported its best third-quarter performance, thanks to strength in its theme park business.

The Burbank, California group said its net income for the third quarter ended June 30 rose 17 per cent to \$153.3m or \$1.40 per share against \$135m or \$1.20 a year earlier. Revenues improved 28 per cent to \$1.17bn from \$915.7m.

May, was also a strong contributor in the quarter. The filmed entertainment division enjoyed strong profits. Operating income rose 14 per cent to \$45.5m on revenues up 37 per cent to \$354.5m.

The Toronto Sun subsidiary suffered a 20 per cent drop in second-quarter profits. The results reflect Maclean Hunter's share of losses in the home video and syndicated television markets.

PWA again in loss during 'transition'

By David Owen in Toronto

PWA, the Calgary-based company which owns Canadian Airlines International (CAI) and which recently bought Wardair, has reported another quarterly loss in what it has described as a "year of transition."

June 30 to C\$35.2m or C\$1.50, compared with earnings of C\$11.5m or 43 cents in 1988. Canada's three largest publishing groups have reported strong first-half results, in spite of pessimistic forecasts of declining advertising, writes Robert Gibbens in Montreal.

Torstar, which operates the Toronto Star, Canada's largest circulation daily newspaper, earned \$49.5m or \$1.24 a share, up 3 per cent from \$47.5m or \$1.19 a year earlier. Revenues were unchanged at \$465m.

New dry beers cheer Anheuser-Busch

By Roderick Oram in New York

ANHEUSER-BUSCH strengthened its grip on the US brewing industry in the second quarter with a further increase in market share and record sales and profits which reflected, in part, demand for its new dry beers.

Bear volume expanded by 3.7 per cent to 21.4m barrels, equal to a 1.4 percentage point increase in market share to 42 per cent.

pleased with consumers' acceptance of Michelob Dry, which was sold nationwide last November. Three new products have been introduced into test markets since then: Bud Dry, Busch Light and O'Doul's, a non-alcoholic malt drink.

SAPORO FINANCE INTERNATIONAL B.V. U.S. \$50,000,000 8 3/4 per cent. Guaranteed Bonds due 1993 unconditionally and irrevocably guaranteed by SAPORO BREWERIES LIMITED

Better chemical margins boost Shell Oil By Our Financial Staff SHELL OIL, a subsidiary of Royal Dutch/Shell, lifted profits substantially in the second quarter after an improvement in earnings in all segments.

Mitsubishi Petrochemical Company Limited NLG 200,000,000 2 3/4 per cent. Notes due 1994 with Warrants to subscribe for shares of common stock of Mitsubishi Petrochemical Company Limited

INTERNATIONAL COMPANIES AND FINANCE

Elders investors approve Elliott plan

By Chris Sherwell in Sydney

SHAREHOLDERS IN Elders... The meeting saw vigorous questioning over the evident shift in control of Australia's largest company to Harlin Holdings...

Harlin is underwriting a pro-rata offer to Elders shareholders of 318m shares... The plan, first announced in May, generated controversy because the price of A\$3.00 per share was higher than the market rate...

stood to lift its Elders holding from 25.1 per cent to 42 per cent... Harlin's on-market offer of A\$3.00 per share, unveiled this month, aimed to circumvent these problems by giving shareholders the chance to acquire Elders shares at A\$3.00...

Equally, however, it is not clear how many of Pettio's Elders shares will end up in Harlin's hands... To support its offer, Harlin has arranged A\$65m (US\$45m) in financing...

The amount of new equity to be drawn down will depend on the number of shares acquired under the on-market offer... Mr Elliott is also telling anxious Elders shareholders that the interests of Harlin and Elders cannot diverge because of the covenants which effectively stipulated this when the group was initially set up...

Growth slows at Bank of East Asia

By John Elliott in Hong Kong

BANK OF East Asia, Hong Kong's largest family-controlled bank which has close links with China, yesterday reported consolidated profits after tax and undisclosed transfers to inner reserves of HK\$90.22bn (US\$11.6bn) for the first half of 1989...

Cadbury S African arm buys local sweets maker

By Jim Jones in Johannesburg

CADBURY SCHWEPPE'S South Africa, a subsidiary of the British confectionery group, lifted sales by more than a fifth in the first half of the year and has broadened its product base by acquiring a local confectionery manufacturer...

R28.8m. The directors are not optimistic about immediate trading conditions and warn that sales of confectionery and soft drinks are likely to slow with the economic squeeze...

Equity deals enlarge Berjaya

By Lim Siong Hoon in Kuala Lumpur

BERJAYA, a Malaysian textile and property group, has emerged as one of the country's leading conglomerates in a series of equity deals involving four companies, all listed on the stock market...

tion station, in which so far it has bought an 18 per cent stake for 41m ringgit in cash... Inter-Pacific's 82.2 per cent ownership in Berjaya has been passed down to 57 per cent so far...

ling 69m shares priced at between 1.95 ringgit and 2.18 ringgit each, were placed out to one Hong Kong and two Singapore brokers... An interim dividend was announced of 25 cents a share, compared with an adjusted interim of 20 cents last time.

Demand at home lifts Asahi Glass

By Our Financial Staff

ASAHI GLASS, Japan's leading glass manufacturer, has reported a 7 per cent rise in pre-tax profits in the first half, which ended on June 30... Strong domestic demand from the vehicle and housing industries helped to push up sales to Y497.04bn, 12 per cent up from the Y389.26bn.

Sales of insulating glass, reinforced glass and other "functional" glasses were particularly strong, while glass bulb sales were higher on increased exports to Southeast Asia to make televisions, the company said...

Hooker Corp shares suspended

TRADING in the shares of Hooker Corporation, the debt-burdened Australian property and retail group, was suspended yesterday, Reuter reports from Sydney... Hooker shares closed on Wednesday, the day before the suspension, at 26 cents, a fall on the day of 12 cents...

The provisional liquidation was made necessary when a task force of its bank lenders terminated a moratorium agreement on Tuesday... Mr George Harsco, still nominally company chairman, said yesterday that the company had sufficient assets to wipe out its estimated A\$2bn (US\$1.5bn) of debt.

With contributions from Sports Toto, Berjaya expects the year ending April 1990 to raise 78m ringgit in pre-tax profit, Berjaya told its shareholders in a statement.

Guaranteed Export Finance Corporation PLC... Placing by Barclays de Zoete Wedd Limited and S. G. Warburg Securities of £250,000,000 9% per cent. Guaranteed Loan Stock 2010

DM 100,000,000 Floating Rate Notes... Deutsche Siedlungs- und Landesrentenbank Bonn/Berlin DSL Bank

I.G. INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BB... FT 30 FTSE 100 WALL STREET Jul. 1901/1910 +1 Jul. 2283/2293 +1 Aug. 2622/2634 +13 Sep. 1923/1932 +2 Sep. 2310/2320 +3 Sep. 2632/2644 +13

Mitsubishi Petrochemical Company Limited (Mitsubishi Yuka Kabushiki Kaisha) U.S. \$320,000,000 4% PER CENT NOTES DUE 1994 WITH WARRANTS TO SUBSCRIBE FOR SHARES OF COMMON STOCK OF MITSUBISHI PETROCHEMICAL COMPANY LIMITED

Mitsubishi Petrochemical Company Limited (Mitsubishi Yuka Kabushiki Kaisha) U.S. \$320,000,000 4 5/8 per cent. Notes due 1994 with Warrants to subscribe for shares of common stock of Mitsubishi Petrochemical Company Limited

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE

27th July, 1989



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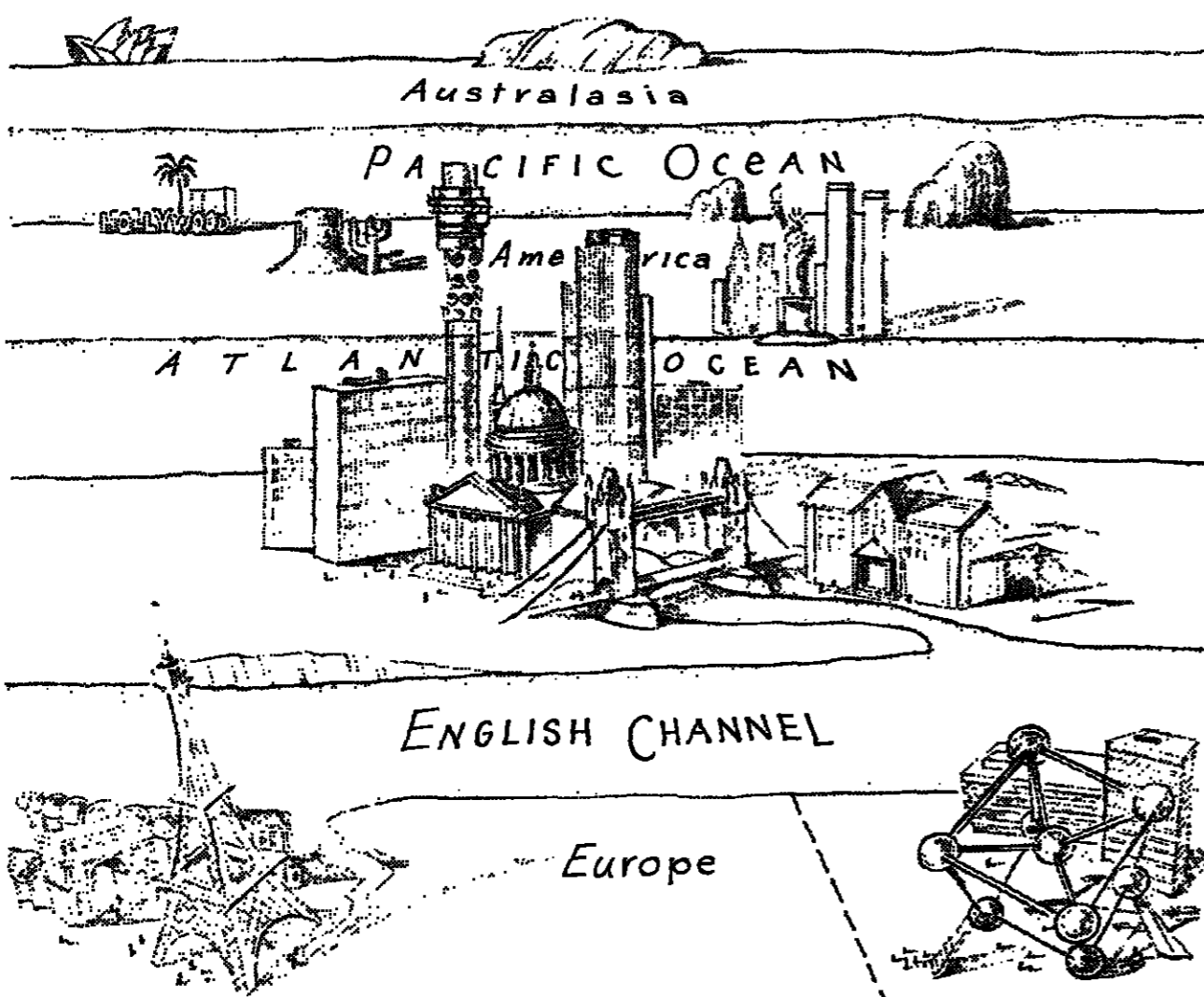
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Salomon Brothers International Limited

Swiss Bank Corporation

Towa International Limited

S.G. Warburg Securities



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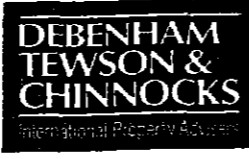
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For a copy of our International Brochure and/or our 1989 Annual Report and Accounts, please contact Miss Jacqueline Bull, Corporate Marketing Department, Debenham Tewson & Chinnocks, Bancroft House, Palmester Square, London EDP4 4ET. Tel: 01-236 1520.

### INTERNATIONAL CAPITAL MARKETS

## Spain braces itself for Big Bang

Peter Bruce reports on Madrid's coming stock market deregulation

Mr Pedro Guerrero is not a plumber. A stockbroker and newly-elected president, at 36, of the Madrid stock exchange, he confesses nevertheless to having spent the last six weeks feverishly plugging holes. After nearly 100 years of virtually unchanged trading practices, today is the last day that Spain's *Agencia de Cambio y Bolsa*, the licensed notaries who have a trading monopoly, will walk on to the floors of the *bolsas* in Madrid, Barcelona, Valencia, Bilbao and trade as individuals. This is Spain's 'Big Bang' - probably the most sweeping financial reform put into place since the death of General Franco in 1976. From Monday, the agencies head 100 companies. Most of the 51 new brokers and agents operating in Madrid have found powerful new domestic and foreign partners to back them.



Luis Carlos Croissier: fighting for Cats system

Mr Guerrero hopes two things will change that. First, trading continuously on computers rather than in 10-minute floor sessions for each sector will make the movement of shares easier to follow. *Cats* has been a disappointment since it began a few months ago and many brokers complain it is slow and cannot guarantee liquidity as concentrated floor sessions do. "I think a lot of people are genuinely frightened of the technology," says Mr Nicholson. "And until now, without the ability to make markets, you just don't have enough liquidity." Trading volumes in the companies that have entered *Cats* have been even lower than the rest of the market.

Mr Croissier concedes the point. "We need to improve it a little," he says. The system was developed by the Toronto stock exchange in the 1970s and, the market's new chairman said, many of its programmes were old.

He has, however, joined forces with Mr Luis Carlos Croissier, the young Canary islander who heads the new market watchdog, the *Comisión Nacional del Mercado de Valores*, to encourage companies to quote on *Cats*. "We will fight for it," he says. A loophole in the new stock market

law means companies cannot be forced to join *Cats*. But Mr Croissier expects half of the stocks in the market to be on *Cats* by the end of the year. His other big headache is to put together a streamlined settlements system that works. "We are worse than some places but we are not starting from a very bad base," he says. "In my experience our settlements system in Spain is comparable to the French or German ones and much better than what the Italians have."

That may not be the best of recommendations and a timetable for establishing a separate company, made up of brokers and financial institutions has not been set. But the four Spanish markets have three months from Monday to connect up with each other electronically, which should be an important first step towards a modern - some brokers in Madrid say revolutionary - settlements system.

Luckily for the brokers, Mr Croissier has at least removed one great danger by deciding to maintain the market's old 0.25 fixed commission for the time being. This will have to be phased out by 1992, when agents have to team up with big Spanish banks may be able to squeeze their smaller former colleagues.

Mr Guerrero, as one of the latter, does not worry, as some people do, that the bank driven brokerages will dominate the market. "Stockbroking is very different to banking," he says, "we will have to be different but not wildly so. The shouts of traders will still crash around its ornate walls and may continue to do so for a year or more as quoted companies resist pressure to enter the *Cats* system and trade on a screen.

In Spain, the traditional approach to change to hunch your shoulders, turn your palms up and mutter "*no pasa nada*" - nothing is happening. It seems to work.

### FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Table with columns for Bond Name, Issued, Bid, Offer, Day, Week, Yield, and Closing prices on July 27. Includes sections for US DOLLAR STRAIGHTS, OTHER STRAIGHTS, DEUTSCHE MARK STRAIGHTS, and CONVERTIBLE BONDS.

Table with columns for Bond Name, Issued, Bid, Offer, Day, Week, Yield, and Average price change. Includes sections for EUROPEAN STRAIGHTS, EUROPEAN CONVERTIBLES, and EUROPEAN FLOATING RATE NOTES.

Table with columns for Bond Name, Issued, Bid, Offer, Day, Week, Yield, and Average price change. Includes sections for EUROPEAN STRAIGHTS, EUROPEAN CONVERTIBLES, and EUROPEAN FLOATING RATE NOTES.

Information regarding the FT International Bond Service, including details on how to obtain the service and contact information for FT International.

## Eagle Star ratings to be retained

By Norma Cohen

THE TWO leading credit rating agencies are no longer considering a downgrade of nine issues of mortgage-backed securities guaranteed by Eagle Star Insurance Company because alternative insurance arrangements have been made.

One of the two ratings agencies, Moody's Investors Service, said it is raising the credit rating on several of the issues to AA-1 from AA-2 as a result of the enhanced insurance cover.

Special Risk Services, an insurance broker which arranged the insurance cover for the securities upon issuance, said that a credit enhancement facility through Trade Indemnity Group had been arranged which includes extensive reinsurance support.

Eagle Star itself has absorbed the cost of arranging the new insurance cover. Standard and Poor's and Moody's Investors Service had said they were reviewing the AA claims-paying rating of Eagle Star following a hostile takeover bid for its parent company, BAT Industries by Hoylake Investments.

Because the various mortgage-backed securities carried a AA-1 rating by virtue of an insurance policy provided by Eagle Star, they too were affected by the ratings review.

CORPORATE SECURITY advertisement for Financial Times, including contact information for Jonathan Wallis and details about the service.

INTERNATIONAL CAPITAL MARKETS

Gefco £250m issue makes dramatic market debut

By Andrew Freeman

AN ISSUE worth £250m for Guaranteed Export Finance Corporation (Gefco) - a financing vehicle created to hold UK export credits - has made its debut in the sterling bond market yesterday as the first such issue in sterling to carry an explicit UK government guarantee.

INTERNATIONAL BONDS

The issue was designed to move loans from the balance sheet of the Export Credits Guarantee Department, under the department's plans to write some of its portfolio, and to offer the issue to private sector investors. In February 1987, Gefco issued a government-guaranteed £150m deal to refinance export credit loans.

The deal's success was mainly due to its perceived quality as fixed-income investors have become nervous about corporate bond holdings following the leveraged £15bn bid for BAT Industries.

or international traders and investors nevertheless claimed that a new class of bonds had been created which would trade between government and supranational issues.

The loan stock, which will mature on 7 January 2010, was placed mostly with UK institutions which were hungry for the paper's launch yield of 40 basis points over the 9 per cent gilt-edged stock maturing in 2008.

Dealers said the impact of the deal was immediate. Early in the morning, indications were that the stock would open at a premium of around 1/4 point when the price was fixed in the afternoon. A rush of buying then saw the premium jump as high as 1/2 point, which represented a sharp narrowing of the launch spread to around 33 basis points over the gilt.

Dealers said that the Gefco deal had focused investors' attention on credit quality. Sovereign and supranational sterling issues, particularly at the longer end of the maturity curve, were in strong demand. Issues by the World Bank and the European Investment Bank, for example, tightened in spread terms by as much as 5 basis points, or a 1/4 point gain in price terms.

Elsewhere, Eurobond markets had an active day, with new issues in abundance. Two Euro-sterling deals for US-based borrowers were trading at discounts equivalent to full underwriting commissions.

Bankers Trust was the lead manager of a successful 10-year Euro125m deal for Eurofima. Amid strong demand from institutions, the bonds were quoted inside fees at less 1.50 bid.

The Canadian dollar sector was also topped with a Cdn500m five-year deal for Eksporfinans which was brought by Citicorp International. The bonds carried a 10% per cent coupon and were priced at 101 1/2 and 60 basis points over Treasury. They were quoted by IBJ at less 1.50 bid, just inside total underwriting fees.

P&O steps up Tokyo issue to \$175m

THE FIRST issue of foreign convertible bonds in Tokyo - a dollar-denominated deal for P&O, the UK shipping and property group - has been increased in size from the originally planned \$150m to \$175m, Reuters reports from Tokyo.

The so-called shogun convertible bond - with a maturity of 14 1/2 years - carries an annual coupon of 8 per cent and will be priced at par.

Conversion price was set at the closing share price of 687p in London on 23 July, or a 12.5 per cent discount to the current price. The sterling exchange rate was set at \$1.6457. Conversion period is November 3, 1989 to April 28, 2004.

Salomon sees rise in US bond 'event risk'

SALOMON BROTHERS said US corporate bond "event risk" - the threat of sudden interest rate rises arising from restructurings - is likely to increase in the next six months, Reuters reports.

In a special report, Salomon said event risk activity would accelerate over that period given the forecast for lower interest rates. It said "prospects for positive economic growth associated with a soft landing, an abundance of equity capital, and lower overall interest rates suggest that the pace of restructuring activity will not abate."

Salomon said the relative price level of the stock market still represented a substantial discount to private-market valuations. It said this and the abundance of equity funds available for investment meant there were more leveraged restructuring opportunities.

Restructurings include mergers, acquisitions, leveraged recapitalisations, stock repurchases and leveraged buy-outs.

UK takes shine to covered warrants

By Katherine Campbell

GENERATING enthusiasm among UK investors for equity derivative products has always been something of a daunting task. The London Traded Options Market knows that, and freely admits its performance during its 11-year existence has been a disappointment.

Now after just two months an equity derivative new to the UK market is even attracting interest from UK retail investors - a hitherto unrewarding market for equity derivatives.

The ninth covered warrant on UK shores, for British Airport Authorities, was issued yesterday by Salomon, bringing the firm's tally to four.

Another bone of contention is pricing levels. One UK house says it would only begin issuing covered warrants when the implied volatilities are more nearly equivalent to those on the traded options. Currently the warrants are between 3

and 5 per cent more expensive, although short-term volatilities are themselves quite high at present.

But Salomon for instance, argues that these short-term volatilities are an inappropriate yardstick. All its issues, it says, have been for a three year maturity - in contrast to BTX issues, which mature after eighteen months. The longer maturity by definition entails greater risk, which in addition cannot so easily be hedged in the short-term options market, the firm argues.

Also, some investors have noted an inbuilt inflexibility in that they cannot run a short position for long, owing to the obligation to deliver the warrants within seven days via the Euroclear system.

Moreover, because the issues are small, liquidity is patchy, and secondary market positions more transparent to the issuer. Here Bankers Trust counters that its prices are firm for 100,000 shares, which it hints generally rather than on the floor of the options exchange.

Another problem is that it is not always clear exactly how many warrants

have been issued. One sceptic argues that the recent flurry has had more to do with the necessity of issuing houses broadening their portfolios and hence diversifying their own risk than with customer demand.

Salomon's BAA deal reportedly fell short of its target of 5m shares yesterday, which may point to a temporary glut in the market.

But it would be quite wrong to dismiss the importance of this new market. Mr Quintin Price at James Capel interprets the move more generally as indicative of the increasing sophistication of equity markets, which, like the bond markets before them, will become "more quantitative".

The interest generated by this market has set LITOM thinking. The exchange will shortly be sounding out Bankers Trust about the possibility of trading covered warrants on the floor of the exchange.

It is not clear whether the issuing houses would favour such a move, and some officials are privately sceptical whether this would enhance liquidity.

Treasuries respond warmly to GNP data

By Janet Bush in New York and Katherine Campbell in London

US TREASURY bonds continued to improve yesterday in a positive reaction to second-quarter GNP figures which underlined the deceleration in the economy this year and to a persistent softness in

slightly below forecasts of a 2 per cent gain. In addition, first-quarter GNP was revised to a gain of 3.7 per cent over a 4.4 per cent reported previously.

THE UK bond market retained its optimistic tone yesterday, although prices closed off the highs achieved during the morning. The Treasury 2008-07 ended 1/4 of a point firmer at 115.14.

The buoyant mood was largely sustained by sterling's strength, as the currency breached the DM3.10 level, and ended at 93.4, another 0.4 point stronger on the trade-weighted index. This encouraged further interest from foreign buyers, although domestic institutions remain in the shadows.

A £250m government-backed deal for the Guaranteed Export Finance Corp in the domestic market did not take the edge off the advance in gilt-edged securities, traders said.

NEW ISSUES in several other bond markets were announced yesterday. In Switzerland the National Bank announced a tender for around Sfr250m of eight-year paper, redeemable by the Government after six years, with a 5% per cent coupon.

Meanwhile the Swedish authorities took advantage of the recent lifting of exchange controls to solicit bids for up to Skr2bn worth of bonds due 2002 with an 11 per cent coupon.

NEW INTERNATIONAL BOND ISSUES

Table with columns: Issuer, Amount in US Dollars, Coupon %, Price, Maturity, Fees, Book runner. Includes entries for Kubota Ltd., Sanjyo Aluminium, JTB, and various international bonds.

LONDON MARKET STATISTICS

Table showing RISES AND FALLS YESTERDAY for British Funds, Corporations, Domestic and Foreign Bonds, and other market indicators.

LONDON RECENT ISSUES

Table listing recent issues with columns for Issue, Amount, Date, High, Low, and other details.

FIXED INTEREST STOCKS

Table listing fixed interest stocks with columns for Issue, Amount, Date, High, Low, and other details.

RIGHTS OFFERS

Table listing rights offers with columns for Issue, Amount, Date, High, Low, and other details.

LONDON TRADED OPTIONS

Large table showing LONDON TRADED OPTIONS for various commodities and securities, including columns for Call/Put, Strike, and other option details.

ET-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table showing EQUITY GROUPS & SUB-SECTIONS with columns for Index, Day's Change, and other performance metrics.

FIXED INTEREST

Table showing AVERAGE GROSS RECEIPTMENT YIELDS for various fixed interest instruments, including British Government, Corporate, and International bonds.

Opening index 2274.5, 10am 2276.7, 11am 2282.0, 1pm 2280.0, 2pm 2283.7, 3pm 2287.4, 3.30pm 2284.4, 4pm 2282.1. Constituent is available from the Publishers, The Financial Times, Member One, Southway, London SE1 9HA, price 15p, by post 30p.

Interfino S.A.

Notice to Holders of Guaranteed Warrants

Compagnia Finanziaria De Benedetti S.p.A. to purchase up to 23,980,000 Common Shares of CIR S.p.A. - Compagnia Industriale Riunite

Issued on May 25, 1989 (the "Interfino Warrants")

On July 14, 1989, the Board of Directors of CIR S.p.A. - Compagnia Industriale Riunite approved resolutions which may result in an adjustment to the Warrant Exercise Price as follows:

- (a) RESOLVED to issue Common Shares to be offered to all shareholders in the ratio of one New Common Share for each 20 shares held in the ratio of one Old Common Share for each 20 shares held of any category, at a price of Lire 5,090 per Common Share.

Each Bond will have attached two Warrants (which may be detached):

- Warrant (A) shall entitle the holder to subscribe for Common Shares in the ratio of one Common Share for every 4 Warrants (A) held at an exercise price of Lire 6,500 per Common Share.

Interfino S.A.

UK COMPANY NEWS

£58m security expansion by ASH

By Andrew Hill

AUTOMATED SECURITY (Holdings), which owns Modern Alarms, yesterday spent more than £58m in cash and shares to buy Lander Alarms and 75 per cent of Group 4 Alarms.

The move increases the number of ASH security systems in the UK by nearly 60 per cent to 178,000 and makes the company the second largest operator of alarm systems in the world after ADT.

The deals will be funded by a one-for-three rights issue to raise £72.9m. About 32.6m new ordinary shares are to be issued at 230p each, compared with yesterday's closing price of 270p, down 13p.

ASH is buying Lander from RMC Group, the concrete and aggregates company, for about

£46m in cash. Mr Tom Buffett, ASH's chairman and chief executive, said yesterday: "This is the first time one has been able to buy a large chunk of alarm systems as an asset purchase rather than as a company, which has considerable tax advantages."

ASH is also paying about £7.4m in cash and 1.82m ASH shares for 75 per cent of Group 4 Alarms. The business is part of Group 4 Securities (International) which will retain 25 per cent and operate it as a joint venture with ASH.

It is ASH's second major acquisition announcement within a month. At the end of June the group bought API Alarm Systems, a Californian central station alarm business, for \$180m in cash.

The proceeds of the rights issue will also be used to re-finance borrowings incurred in that and

other deals, which have pushed ASH's gearing up to about 100 per cent.

ASH also announced yesterday a 23 per cent increase in pre-tax profits - from £7.12m to £8.75m - in the six months to May 31. Turnover rose from £24.6m to £41.9m and earnings per share were up to 7.7p (6.9p).

The group declared an interim dividend of 1.5p and said the 56 per cent increase on last year's dividend of 0.96p would be repeated for the final dividend.

Mr Buffett said yesterday that although ASH's main strategy was directed towards Europe and the US, the UK acquisitions would help strengthen ASH's home base by increasing the density of systems. He added that the total number of central monitoring stations operated by the

enlarged group would be reduced from 13 to four, with consequent savings.

Lander has total rental and maintenance income of about £8.5m annually and made £800,000 from turnover of £17.6m in 1988. It had net assets of £7.8m.

Group 4 Alarms' annual income is about £5.8m and the business had net assets of about £4m at June 30.

Under the terms of the rights issue, ASH ordinary shareholders will be offered one new ordinary share for every three held. Other stockholders will be offered 10 ordinary shares for every 31 of the 5 per cent preference shares, or ordinary shares for every eight of the 6 per cent preference shares, or five ordinary shares for every 29 nominal of the convertible loan stock.

Morgan Crucible makes £32m-worth of US and UK buys

By John Riddling

MORGAN CRUCIBLE, the industrial materials and electronics company, yesterday announced a string of acquisitions of US and UK high technology companies for a total maximum consideration of about £31.5m.

The total initial consideration, which amounts to about £28.4m, will be financed by an open offer for 11.68m new ordinary shares priced at 265p each. Yesterday the shares closed down 1p at 282p.

The acquired companies comprise the piezo-electric ceramics businesses of Veritron for £12.2m; Alberox, which specialises in the application of metalised coatings to ceramics, for an initial consideration of £4.8m; Aamcor, manufacturer of special floor coatings for £7.3m; and two other small companies for a total of £4.1m.

Morgan Crucible said that the acquisitions "fit extremely well with Morgan's existing activities".

It said that the acquisition of the Veritron businesses "substantially achieved its objective" of strengthening its technical ceramics operations in the US, particularly in piezo-ceramics.

Piezo-ceramics generate electricity if subjected to mechanical impulse and expand and contract in a varying magnetic field. Applications range from Sonar to video equipment.

Together with Unitor, Morgan's existing piezo-ceramics business, the companies will have combined 1988 sales of £10.6m. According to Morgan this will make it one of the major international piezo-ceramics groups.

In the year to the end of December 1988 the Veritron businesses reported pre-tax profits of £1.8m on sales of £7.9m. For the same period, Alberox achieved pre-tax profits of £200,000 on sales of £5.6m and Aamcor had pre-tax profits of £1.1m on turnover of £6.8m.

Under the terms of the share issue, existing shareholders will be able to apply for any number of new shares up to a maximum of one new share for every 11.57 ordinary shares held and for every 31.81 convertible preference shares held.

Jacques Vert bucks trend with £6.43m

By Alice Rawsthorn

JACQUES VERT, the USM-quoted women's wear group, saw its shares rise by 12p to 262p yesterday when it announced a 60 per cent rise in pre-tax profits to £6.43m for the 15 months to April 30, compared with the previous year.

In recent months a number of clothing companies have announced poor results due to the uncomfortable combination of increasing imports and sluggish consumer spending.

Mr Alan Green, joint chairman, said so far Vert has emerged unscathed from the tough trading environment. He attributed this to the composition of its customer base which is concentrated among affluent over-25 year olds.

The company's sales rose to £45.21m (£23.98m) and gross profits to £13.11m (£9.21m) during the 15 months. It incurred higher costs due to its investment

ment in the new Alain Cannelle leisurewear collection and in recruiting new staff.

Overheads rose to £12.55m (£5.25m) thereby depressing margins.

The wholesale business benefited from strong sales to established customers in the UK and boosted turnover to £31.61m (£18.56m). Mr Green said that the level of orders for the autumn had reached record levels, despite the general slowdown in consumer spending.

The retail division increased sales to £5.77m (£2.6m). Vert now has 18 shops in the UK and envisages slow, steady expansion in the future. Mr Green said the growth in sales from the shops had slowed down in recent months, but had not fallen below last year's levels.

Export sales rose to £5.8m (£2.49m). The US operation made a small loss during the 15 months, but Vert has now completed the reorganisation of this business since buying out its old US distributor.

Mr Green expected it to make a modest profit this year. Collections, the costume jewellery business, made a loss on sales of £1.02m. The business was profitable when Vert bought it 18 months ago, but the costume jewellery market has since become much more competitive.

Mr Green said the business was too small to affect the group as a whole and described its problems as a "pinprick, rather than a pain". Collections is not expected to return to profit this year.

BOARD MEETINGS

Table listing board meetings for various companies including Lloyd's Bank, SPAC, Spica, and others, with dates for August 1st through 10th.

KB IFIMA N.V.

KB Internationale Financieringsmaatschappij N.V.

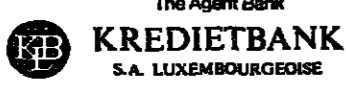
US\$ 150,000,000 Guaranteed Floating Rate Notes Due 2011

In accordance with the Description of the Notes, notice is hereby given that for the interest period from July 27, 1989 to October 27, 1989

the Notes will carry an interest rate of 9.025% per annum.

The interest payable on the relevant interest payment date, October 27, 1989 against coupon n°14 will be US\$ 230.64 per Note of US\$ 10,000 nominal and US\$ 5,785.97 per Note of US\$ 250,000 nominal.

The Agent Bank



SAFRA REPUBLIC HOLDINGS SA LUXEMBOURG

CONSOLIDATED STATEMENTS OF CONDITION

(In Thousands of US\$ except per share data)

Table showing Assets, Liabilities and Shareholders' Equity for June 30, 1989 and 1988. Assets include Cash and due from banks, interest bearing deposits, etc. Liabilities include non-interest bearing deposits, interest bearing deposits, etc.

Table showing Six months ended June 30 and First quarter and Second quarter for 1989 and 1988. Metrics include Net income, Net income per share, and Average shares outstanding.

Safra Republic Holdings S.A., 32, Boulevard Royal - 2449 Luxembourg - Tel. 4793 31 310 - Fax 4793 31 226 - Telex 3320 RBNBY LU

Banking Subsidiaries: Republic National Bank of New York (France) S.A., Republic National Bank of New York (Luxembourg) S.A., Republic National Bank of New York (Guernsey) Ltd., Republic National Bank of New York (Cibraltar) Ltd.

IRELAND

The Financial Times proposes to publish this survey on:

25th August 1989

For a full editorial synopsis and advertisement details, please contact:

GILLIAN KING on 01-873 4823

or write to her at:

Number One Southwark Bridge London SE1 9HL



BEDFORDSHIRE

The Financial Times proposes to publish this survey on:

20 OCTOBER 1989

For a full editorial synopsis and advertisement details, please contact:

RACHEL FIDDMORE on 01-873 4152

or write to her at:

Number One Southwark Bridge London SE1 9HL



MAERS Funding No. 2 PLC

£300,000,000 Mortgage Backed Floating Rate Notes due 2017

Notice is hereby given that a Principal Payment of £400 in respect of each Note will be made on 4th August, 1989 resulting in a Principal Amount Outstanding of each Note of £99,600 for the following interest period.

Subsequent to the Principal Payment the Pool Factor will be 0.996.

MAERS Funding No. 2 PLC 26th July, 1989

NOTICE to the holders of the outstanding NEW SOUTH WALES TREASURY CORPORATION 12.1% Guaranteed Exchangeable Bonds due 1995

Notice is hereby given to the holders of the above Bonds that, at the Meeting of such holders convened by the Notice of Meeting published in the Financial Times on 14th June, 1989 and held at 10.45 a.m. (London time) on 6th July, 1989, the Extraordinary Resolutions set out in such Notice were duly passed.

Financial and Paying Agent: Bankers Trust Company, 1 Appold Street, London EC2A 2HR.

NEW SOUTH WALES TREASURY CORPORATION 28th July, 1989.



National distribution off to a good start

Substantial progress in two key areas - the deal with Whitbread to distribute nationally our flagship ale - Pedigree Bitter - has got off to a good start and our new Tavern Table catering concept has already led to improved contributions from our Managed Houses.

PRE-TAX PROFIT UP 15.3% to £14.93m (1988 £12.96m)

TURNOVER UP 8.1% to £79.54m (1988 £73.65m)

EARNINGS PER SHARE UP 15.9% to 11.23p (1988 9.74p)

DIVIDENDS PER SHARE UP 15.9% to 3.36p (1988 2.90p)

NET ASSETS PER SHARE UP 105% to 209p (1988 102p)

Copies of the report and accounts are available from: The Secretary, Marston, Thompson and Everhead p.l.c., PO Box 26, Shobnall Road, Burton-on-Trent DE14 2BW.

BREWERS OF TRADITIONAL BURTON-ON-TRENT BEERS





UK COMPANY NEWS

Government restrictions to be tested as French supplier would be major shareholder
Three statutory water companies plan merger

By Andrew Hill

THREE OF Britain's largest statutory water companies plan to merge, with the backing of France's biggest water supplier. The proposals will be the subject of an automatic referral to the Monopolies and Mergers Commission...

Valleys Water Committee, and share a water treatment works at Iwer in Buckinghamshire. Largest shareholder in the merged group would be Compagnie Générale des Eaux, the French water and construction company which already owns Lee Valley and three other statutory water companies...

The deal could squeeze out one of Générale des Eaux's rivals, SAUR Water Services, a subsidiary of French construction group Bouygues. SAUR, which owns four statutory water companies, first bought a stake in Rickmansworth two years ago with Trafalgar House. Mr John Stansby, chairman of SAUR (UK), said yesterday that a merger between the Three Valleys companies had been SAUR's first intention in 1987...



James McGowan (left), managing director of Lee Valley Water, and Robert Simpson, managing director of Colne Valley Water and Rickmansworth Water

Storehouse warns of interim profit fall

By Maggie Urry

SIR TERENCE Conran, chairman of Storehouse, the retail group, warned shareholders at the annual meeting yesterday of weakening sales and rising costs which would "inevitably have a seriously adverse effect on our results at the half way stage and, if present trends continue, will also impact the full year's profits".

Current climate is not favourable for Sock Shop

By Maggie Urry

SOCK SHOP, the niche retailer which came to the USM amid much enthusiasm in 1987, yesterday admitted that current trading was difficult in the warm weather, with interest rates high and with transport strikes affecting the 30 shops in railway and underground stations.

but the introduction of swimsuits had helped sales. The UK stores made a profit in the 12 months of £3m (£2.5m) on sales of £28.5m (£19.6m) meaning that margins fell significantly. In Europe a profit of £68,000 was made. In the US a loss of \$577,000 was incurred, despite earlier hopes that by now the business could be breaking even.

Shares rise on strong start to year by Boots

By Maggie Urry

Boots, the retail chemist and pharmaceutical group in the middle of an £800m takeover bid for Ward White, the do-it-yourself and autoparts retailer, presented a cheerful picture to shareholders at its annual meeting yesterday in contrast to the gloom elsewhere in the retail sector.

Mr Robert Gunn, chairman, said the first three months of the year had seen strong growth in both the retail and pharmaceutical divisions. "The excellent progress of the retail division last year has been maintained during the first quarter of this year."

Tranwood forming consortium fund

By Nikki Taft

TRANWOOD, the USM-traded financial services group headed by Mr Peter Earl, is setting up a limited partnership to invest in corporate reconstructions, turnarounds, buy-outs and the like. The fund, to be called the Tranwood Consortium Fund, is aiming to raise a maximum of £50m.

Tranwood itself is committing £20m to the fund, but - as general partner - will get a 20 per cent share of net profits achieved. It says that the fund puts on to a formal basis the type of "ad hoc" investment consortium deals which it has been involved with over the past couple of years.

that he expected around two dozen institutions to come in, and that perhaps seven or eight deals might be expected in the first year. The fund was announced as Tranwood unveiled interim profits before tax of £4.25m in the six months to end-June. This compares with just \$455,000 in the same period a year earlier and \$4.23m for the last full year.

accounted for just over £3m at the trading income level following the sale of its interest in a rental apartment portfolio in France. The Ariel stockbroking business chipped in with a small profit. Net interest earned was £241,000 (£39,000). The tax charge was £1.49m (£160,000) and fully-diluted earnings per share were 2.82p (0.4p). There is an interim dividend of 1p a share.

Correction Hypo-Bank

Bayerische Hypotheken- und Wechsel-Bank has acquired an initial 25 per cent stake in Richard Ellis Financial Services, a newly-formed joint venture company, not a 5 per cent stake in Richard Ellis as stated in Thursday's Financial Times.

P&S falls 8% in first quarter

Pre-tax profits of Portsmouth & Sunderland Newspapers fell by 8 per cent in the first quarter ended July 1 1989. Turnover rose 15.5 per cent to £19.98m (£17.3m). But certain development costs were taken in the period and the profit fell to £1.65m (£1.8m).

Earnings worked through at 8p

This time there is an extraordinary gain of nearly £3.5m being the group's net profit following the distribution by the Press Association to its members of its shareholding in Reuters.

Sally attacks Red Funnel defence

By Andrew Hill

SALLY UK Holdings yesterday said Red Funnel Group, the Southampton-Isle of Wight ferry line, had "failed to address the key issues of concern to its shareholders" in its defence document. The Southampton company had not justified its belief that Red Funnel's share price could be sustained without Sally's hostile 26p-a-share offer, said the Southampton-Dunkirk ferry group, which is owned by two Scandinavian shipping companies.

£8.7m purchase for Polypipe

By Edward Sussman

Polypipe, the plastic plumbing and drainage systems maker, has agreed to buy Sinco 281, a company set up to acquire the assets of Derwent MacDee, for an initial £8.7m. Derwent MacDee, which supplies plastic toilet seats and related hardware, is a division of McKechnie, an engineering and consumer goods group. Its net assets of \$4.3m includes £2m in cash. The consideration is being satisfied by 6m new ordinary shares at 18p each in Polypipe. An additional £360,000 in cash will also be paid.

Polypipe is also acquiring certain manufacturing equipment and stock from McKechnie as part of the deal, which it intends to relocate to its new Doncaster facility. Up to £220,000 of profit-related consideration may be paid.

US expansion for Bowthorpe Holdings

Bowthorpe Holdings is to acquire Switching Systems International (SSI) of Placentia, California, US, for \$9.1m (£5.46m), plus deferred cash payments of not less than \$3.9m and not more than \$10.9m. Some \$900,000 of the initial payment will be held in escrow for 12 months. SSI designs and makes open frame switches for specialist computer and medical electronic equipment. Pre-tax profits for the year to November 30 1988 were \$225,000.

Tilbury to develop Peugeot Talbot site at Linwood

TILBURY GROUP, which is fighting an unwelcome £125m bid from Lilley, fellow construction group, has won planning permission to develop 285 acres of the former Peugeot Talbot car plant at Linwood near Glasgow. Tilbury said it had completed the purchase of the freehold of the entire 350-acre Linwood plant from Peugeot Talbot for \$6.1m. The book value of the site, including previously incurred costs, was \$8.3m. Outline planning permission had been granted for a 100,000 sq ft superstore plus 130,000 sq ft of other retail space; a 70,000 sq ft auto centre; a leisure development of 130,000 sq ft; a hotel; a 40 acre business park; 65 acres for industrial development and 20 acres for housing.

Tilbury said Asda Group had agreed to become the anchor retailer and would purchase 15 acres of the site for the 111m superstore of 100,000 sq ft. Mr Mike Bottler, Tilbury's chief executive said: "Linwood is one of the most prestigious property developments in Scotland. We are determined Tilbury's strong management team should continue to advance unaided and that Tilbury should not be sold on the cheap."

Hill & Smith ahead

Hill & Smith Holdings raised its pre-tax profits from £2.95m to £2.86m for the six months ended March 31. Turnover rose by £3.65m to £27.65m. Earnings amounted to 9.49p (7.94p) and the interim dividend is being lifted from an adjusted 1.25p to 1.75p.

Newgateway holds 40% of Gateway

Newgateway, the losing bidder in the £20m battle for control of Gateway, is continuing to nudge up its stake in the food retail chain. It has acquired a further 471,000 shares taking its total to 356.2m shares (40 per cent).

Ladbroke gets go ahead for £200m development

By John Riddling

LADBROKE GROUP, the hotel, betting and property company, yesterday announced that it had been selected by Brighton Borough Council and the British Rail property board to develop a large new office and shopping scheme in the town centre. The development, which will have a total development cost of £200m, is Ladbroke's largest ever in the UK and follows the acquisition earlier this week of its largest US development.

The scheme, which comprises 473,000 sq ft of offices and 100,000 sq ft of shop, will be owned outright by Ladbroke and developed on the basis of a 150-year lease. Wynote Developments, a local developer, has a profit-related interest in the scheme. Mr Cyril Stein, Ladbroke's chairman, said: "Ladbroke and Wynote confidently expect the office development and superstore to be pre-let."

Globe Trust nav up 6.5%

By Nikki Taft

GLOBE INVESTMENT Trust, Britain's largest investment trust with net assets topping £1.1bn, yesterday announced a 6.54 per cent increase in net assets during the first quarter of 1989/90. Net assets per share, on a fully diluted basis, rose from 205.14p to 218.58p during the three months to end-June. This easily outstripped the 3.37 per cent rise in the FT-All Share Index during the same period.

The trust showed a pre-tax profit of £7.8m in the first three months, and earnings per share (fully diluted) of 1p. The group's net assets, after the elimination of retained profit, stood at £1.17bn at end-June, compared with £1.1bn at end-March.

Table with columns: Dividends Announced, Current payment, Date of payment, Corres. pending dividend, Total for year, Total last year. Lists dividends for Automoband Sec, Bank Leasing (UK), Bredano Props, Derby Trust, Hill & Smith, ICI, Jacobs (John), Jacques Vert S, Kade Int, Leadg Leisure, Sock Shop, Tranwood S, Wace Group, Yeoman Inv Trst.

Advertisement for THE BRITISH LAND COMPANY PLC. Features £250 Million Multi-currency Commercial Paper Programme. Lists various banks and financial institutions as dealers and agents.

Advertisement for THE BRITISH LAND COMPANY PLC. Features £250 Million Revolving Credit Facility. Lists various banks and financial institutions as lead managers and arrangers.



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UK COMPANY NEWS

BT chief's rise criticised as 'morally unacceptable'

By Hugo Dixon

MR IAIN Vallance, chairman of British Telecom, has become the latest top British executive to face the wrath of shareholders for being awarded a large increase in his salary. The criticism at the company's annual meeting in Birmingham yesterday comes amid the controversy about the size of the remuneration that Lord King has received this year as chairman of British Airways and F&L Babcock. Mr Vallance's pay in the year to the end of March increased 57,000 to £238,000. This rise was described as morally unacceptable by Mr Melville Jones, a BT shareholder. Mr Jones said there was an inconsistency between Mr Vallance's receiving such a hike in the same year that employees received £8m less from the company's profit share scheme. He also argued that BT directors should be setting an example at a time when the Government was exhorting industry to keep pay rises to the minimum. Mr John Reisman, BT's deputy chairman, defended Mr Vallance's pay rise by pointing

out that most of it reflected his promotion from chief executive to executive chairman. Only £22,000 of the increase was his annual pay rise, corresponding to an increase of 6.4 per cent. "I don't think that can be regarded as unreasonable," Mr Reisman said. "Nor do I regard his total salary as unreasonable. He is by no means in the top league." Mr Vallance explained that the employee profit share scheme had been cut from £88m to £30m because "performance was not as good as we would have wished". However, he contended that there was no moral conflict in his pay going up at the same time because "profit sharing and remuneration are completely separate issues". Mr Vallance ran into a barrage of criticism on numerous other issues from shareholders in what was the company's fifth annual meeting. However, only 630 shareholders turned out, compared with over 1,000 last year and many more in the first years after privatisation. One of the most serious criticisms came from Ms Eleri Carrog, who accused BT of discriminating against the Welsh language by using only English in its phone directories, bills, operator inquiries and other services. Unless BT implemented a proper bilingual policy for its Welsh customers and shareholders, the company should change its name to English Telecom and Wales should have its own Telecom Cymru. Mr Vallance promised to consider setting up a special panel to look at these questions. He also took advantage of the meeting to renew his attack on the Government for discriminating against BT in favour of its competitors. He was particularly incensed that Mercury Communications had been promised one of the UK's new mobile phone licences while BT had been prevented from applying. Meanwhile, he described as totally illogical the Labour Party's plan to take BT back into state control should it win the next election.

Bredero up 33% and calls for £42.4m

By Edward Sussman

BREDERO PROPERTIES, the development group which specialises in town-centre retailing, announced a four-for-five rights issue to raise £42.4m. At the same time Bredero, which is 52.07 per cent-owned by Slough Estates, said its pre-tax profits for the six months to June 30 increased 33 per cent to £2.57m (£1.53m) as turnover rose 69 per cent to £24.7m (£14.7m). Earnings per share were up 23 per cent to 9.6p (7.9p). An interim dividend of 2.4p (2p) was proposed. Mr Peter Badcock, finance director, said that the proceeds will be used to retain substantial interests in ongoing and future development projects. These include the Bon Accord centre, the biggest retail venture in Aberdeen; retail developments in Paisley and Fleet; and Centre West in Hammer-smith. The exact stakes to be retained have not been determined. Slough Estates is underwriting the issue and said it has fully subscribed for the 8.4m shares it is entitled to at 265p per share. Bredero was down 20p at 305p yesterday. Bredero, which won a stock market listing in June 1986, said its development programme exceeded £200m from £200m at the time of flotation. Major retailing centres in Glasgow, Southampton, Solihull and Sheffield are being planned.



Sir Denys Henderson (above), chairman of Imperial Chemical Industries, the UK's biggest chemical company, handling questions at the first conference it has ever called on the occasion of its interim, rather than full-year, results. The company is widely viewed as an economic barometer, so it was not surprising to find the assembled journalists and analysts seizing the occasion to quiz Sir Denys on the company's view of the world economy. However, Sir Denys was careful not to commit himself. When asked whether he expected a soft or a hard landing, he said: "We think it will be some way between the two. But nobody really knows." He did not expect a repeat of the recession of the early 1980's, but added: "It is too early to say at this stage. We do not think we will have real certainty until after the summer break."

Gibb & Partners to merge with US consultant engineer

By Andrew Taylor, Construction Correspondent

SIR ALEXANDER Gibb & Partners, one of Britain's largest consulting engineers, is to merge with Law Companies Group, a US engineering consultant, to create a worldwide business with a turnover of more than £140m. The combined business would have its headquarters in the US while the UK firm would become a private limited company rather than a partnership. It would continue to operate from its Reading headquarters and maintain its British identity, according to Gibb. Mr Geoff Conter, Gibb's senior partner, said the merger and becoming a private limited company would provide greater access to resources to expand. "I am convinced Gibb's future lies in a larger and more powerful grouping and will enable the firm to operate from a very strong financial base." The combined group would employ 3,400 staff making it one of the world's largest consulting engineers. Law Companies Group is based in Atlanta, Georgia specialising in geotechnical and materials engineering, construction and environmental services and is 100 per cent employee owned. It had revenues last year of \$120m making it the 31st largest consulting engineer in the US according to Engineering News Record, the US engineering magazine. It is the third large merger involving British consulting engineers to be announced in the last two years. Mott Hay & Anderson and Sir M. MacDonald announced they were merging in January while Freeman Fox and John Taylor merged in 1987 to create Acer Group. British engineering consultants, concerned at the way international contractors have been winning a growing share of project management work, have been seeking to increase their own range of skills and financial muscle by merging with other operations. "This is particularly important if consultants are to play a bigger role in promoting privately-financed infrastructure projects. Mott MacDonald for example has been considering taking small equity stakes to get projects in Malaysia and Indonesia off the ground. Law Group hopes to expand its international work particularly in Europe and Africa where Gibb is strong."

Yorkshire Bank improves 20% to £58m

By David Barchard

YORKSHIRE BANK, the small clearing bank based in Leeds which is jointly owned by the "Big Four" clearers, announced pre-tax profits of £58m for the six months ending June 30, an increase of 20.3 per cent on the same period last year. Total assets rose by 14.9 per cent during the half year to reach £3,560m. Net interest income was £33.8m compared to £31.7m in the first half of last year. Lending to businesses and personal lending were both said to be well up. During the first six months of this year, Yorkshire Bank launched Yorkshire Bank Development Capital, a new subsidiary, which Mr David Mortimer, controller for marketing, said had got off to a flying start by negotiating a substantial buy-out deal for Parkside Flexible Packaging.

Tobacco surge boosts Gallaher to £119.5m

GALLAHER, the international group with interests in tobacco, optics, retail distribution and housewares, raised its profits by £6.5m to £119.5m pre-tax for the first six months of 1989. Sales for the period improved from £1.94bn to £2.05bn, excluding VAT, and at the trading level profits were ahead by some 18 per cent to £124.7m. Interest costs of £15.2m (£1.5m) included a charge of £12.8m relating to an exceptional cash dividend paid at the end of 1988. Trading profits of the tobacco division surged from £32.9m to £119.9m on the back of a 95m rise in sales to £1,580m. In the UK the division strengthened its leading position in cigarettes and increased both market share and volume.

Trading profits of the overseas tobacco companies were also well ahead. The directors said the optics division, where trading profits fell from £3.2m to £3.1m, had been affected by the twin blows of VAT and, for most people, the abolition of free sight tests. Turnover here improved from £96.7m to £110.6m. Within a scheme of reorganisation, management control of the office products companies has been transferred to a fellow subsidiary of the group's parent, American Brands, and the division's sales for the period of £71.1m and trading profits of £5.7m have been excluded from the results. It is expected that legal ownership will be transferred during the current year by means of a special dividend.

Bank Leumi UK profits jump

In the first half of 1989 Bank Leumi (UK) continued its growth and showed a substantial increase in profit. After tax and transfer to inner reserves the disclosed net profit rose 67 per cent, from £310,000 to £1.25m. That followed a 37 per cent lift to £2.63m in profit for the whole of 1988. The interim dividend is raised from 4.1p to 4.5p per share, at a cost of £204,000 (£268,000). There is again a scrip alternative.

ICI sets another new record. 1989 First Half Year Results. ICI logo. The tax charge for the first half of the year amounted to £332m (first half 1988 £290m), comprising UK corporation tax of £123m (£113m) and taxation in respect of overseas and related companies of £209m (£177m). Interim Dividend: The Board has declared an interim dividend of 21.0 pence (twenty-one pence) per £1 Ordinary Share of the Company in respect of the year 1989 (1988 18.0 pence). This together with the imputed tax credit of 7.0 pence is equivalent to a gross dividend of 28.0 pence (1988 24.0 pence). The interim dividend now declared will absorb £145m and is payable on 2 October 1989 to Ordinary Shareholders on the Register on 24 August 1989. In announcing the dividend, ICI's Chairman, Sir Denys Henderson, commented: "The first half year's results reflect the strength of ICI's portfolio as a whole. This gives me confidence about our future performance in spite of signs of slower growth in some economies." As indicated in the 1988 Annual Report, it is intended that the second interim dividend will be paid in the last week of April 1990. The unaudited trading results of the Group for the first half of 1989, with comparative figures for 1988, are as follows:

When it comes to the number of deals, we hold the upper hand. Morgan Grenfell acted in more M&A deals in the UK in both 1988 and 1987 than any other merchant bank. In the first half of 1989 Morgan Grenfell advised its clients on more completed bids for UK publicly quoted companies than any other merchant bank. MORGAN GRENFELL. Morgan Grenfell & Co. Limited. 23 Great Winchester Street. London EC2P 2AX. Telephone 01-588 4545. Member of The Securities Association.

Table comparing 1989 and 1988 performance: Turnover (6,642 vs 5,867), Profit before taxation (925 vs 783), Earnings per £1 Ordinary Share (82.0p vs 69.3p), Interim dividend per £1 Ordinary Share (21.0p vs 18.0p).

A summarised profit and loss account is given in the second table following. Half Year: In the first half of 1989, turnover increased by 13% compared with the same period in 1988 as a result of a combination of higher sales volume (4%), increased local selling prices (6%) and favourable exchange effects (3%).

In the Consumer and Specialty Products segment, trading profit increased by £9m to £302m. Pharmaceuticals profit improved substantially and both polyurethanes and specialty chemicals performed well; however, these benefits were partially offset by pressure on margins in paints and continuing difficult conditions in films. In the Industrial Products segment, trading profit increased by £94m to £445m. Continued strong demand and generally tight supply helped general chemicals and petrochemicals and plastics to achieve a significant improvement over the first half of 1988. In the Agriculture segment, trading profit increased by £52m to £158m. Agrochemicals had a strong half year, particularly in the USA. Fertilizers have now returned to modest profitability despite current weakness in some markets.

Second Quarter: Group profit before tax in the second quarter of 1989 of £483m was £41m higher than the first quarter, with the increase largely representing disposal gains arising from the sale of Coopers Animal Health and rationalisation in Canada. The following table provides quarterly financial highlights for 1988 and for the first two quarters of 1989.

Table showing quarterly financial highlights for 1988 and 1989: Turnover, Profit Before Tax, Earnings per £1 Ordinary Share.

Table showing unaudited trading results of the Group for the first half of 1989 and 1988: Turnover, Trading Profit, Profit on ordinary activities, Profit on ordinary activities after taxation.

\*Abridged results; full accounts with an unqualified audit report have been lodged with the Registrar of Companies. Trading results for the first nine months of 1989 will be announced on Thursday 26th October 1989.

COMMODITIES AND AGRICULTURE

Producers patch up nutmeg cartel

By John Murray Brown in Jakarta
INDONESIA and Grenada, the largest producers in the US\$85m-a-year world nutmeg trade, have agreed to patch up a two-year-old spice cartel...

US aims to build on success of agricultural policy

Nancy Danne begins a series of articles on the future shape of US farming

"THERE IS no immutable economic law that says small farmers have to die..." Senator Tom Harkin of Iowa told a group of farm representatives at a fundraising function this week...



A farmer on his tractor for the last time as the auctioneer calls for bids for his business

The US market share for soybeans has not recovered at all. Without production support until last year's Drought Assistance Act, it fell from 87 per cent in 1981-82 to a projected 59 per cent this year...

levels significantly above the long-term average are defensible to the American taxpayer, Mr Yeutter said. He believes the answer is no, and that the link between prices, income support and production must be broken...

Austria tunes in to gold coin sales

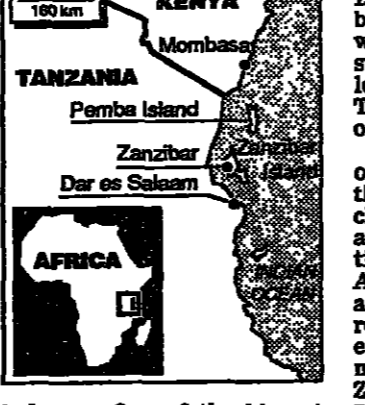
By Kenneth Gooding, Mining Correspondent

"A NEW era of relaxed restrictions for gold investment in Austria" will begin on October 1 with the launch of new gold 1 billion coins, according to the World Gold Council...

Action comes too late to save Zanzibar's ailing clove industry

Nicholas Woodworth examines the reasons for the unstoppable decline of the country's major business

AT KIZIMBANI, in the centre of the lush green island of Zanzibar, two buildings, one devoted to pleasure, the other to science, sit side by side in the middle of the last century, a clove industry was already well established on Zanzibar and its sister island, Pemba...



capital to undertake replanting when old trees died out. By the mid-1970s, the Government realised that technical aid and replanting projects were necessary if the industry was to continue...

Neither of these policies was of any aid to clove production. Debt-ridden farmers know little of the techniques of clove tree growing or harvesting, and even less of management. Trees were neglected out of harvest season, and damaged during picking by inexperienced and unsupervised labour...

by such competitors as Indonesia, Madagascar (with which Zanzibar now vies for the position of second largest producer), Brazil, India, and Penang have forced world market prices to all time lows. Once as high as US\$9,000 a tonne, clove prices dropped from US\$3,000 in 1987-88 to US\$1,800 this year...

LONDON MARKETS

Precious metals made gains on the back of a weaker dollar yesterday. Gold ended the day at \$374.25 a troy ounce, up 50 cents an ounce...

Table with columns for various commodities like Gold, Silver, Platinum, Palladium, and their prices in London.

COCOA 1/20th

Table showing cocoa prices with columns for Close, Previous, High/Low, and various grades like Cocoa Beans, Cocoa Butter, etc.

POTATOES 1/20th

Table showing potato prices with columns for Close, Previous, High/Low, and various grades like Potatoes, etc.

SOYABEAN MEALS 40/60

Table showing soyabean meal prices with columns for Close, Previous, High/Low, and various grades like Soyabean Meal, etc.

LONDON METAL EXCHANGE

Table showing metal exchange prices for various metals like Aluminium, Copper, Lead, Zinc, etc.

SOYABEAN MEALS 40/60

Table showing soyabean meal prices with columns for Close, Previous, High/Low, and various grades like Soyabean Meal, etc.

PREMIUM FUTURES \$10/INDEX POINT

Table showing premium futures prices with columns for Close, Previous, High/Low, and various futures contracts.

US MARKETS

A NON-EVENTFUL reaction by the US dollar to the GNP figure kept the metals markets steady, reports Drexel Burnham Lambert. Volume continued to be light in the softs, sugar trading was mixed with prices gaining near the close...

NEW YORK

Table showing New York market prices for various commodities like Gold, Silver, etc.

INDICES

Table showing various market indices like DOW JONES, FTSE 100, etc.

CRUDE OIL (Light) 42,000 US GALLONS

Table showing crude oil prices with columns for Latest, Previous, High/Low, and various grades like Crude Oil, etc.

HEATING OIL 42,000 US GALLONS

Table showing heating oil prices with columns for Latest, Previous, High/Low, and various grades like Heating Oil, etc.

COFFEE "C" 37,500 LBS/TON

Table showing coffee prices with columns for Close, Previous, High/Low, and various grades like Coffee, etc.

Chicago

Table showing Chicago market prices for various commodities like Soybeans, Corn, etc.

MAIZE 5,000 BU/BU

Table showing maize prices with columns for Close, Previous, High/Low, and various grades like Maize, etc.

SOYABEAN MEAL 40/60 LBS/TON

Table showing soyabean meal prices with columns for Close, Previous, High/Low, and various grades like Soyabean Meal, etc.

LONDON STOCK EXCHANGE

Drug sector features firm equities

A UK stock market already very firm in response to Wall Street's overnight gain and an improvement in sterling closed strongly yesterday...

overshadowed the market's response to the main UK corporate news of the day. ICI swayed the interim statement with confidence but lost much of the early gain after the trading reports found a somewhat cautious response from analysts.

With Wall Street nearly thirty Dow points up overnight and the pound responding favourably to overnight judgements of the UK trade figures for June, the UK equity market opened in good form.

The market boomed over only slightly in late trading, and the final reading of 2,388.7 showed a net gain of 19.2 on the FT-SE Index.

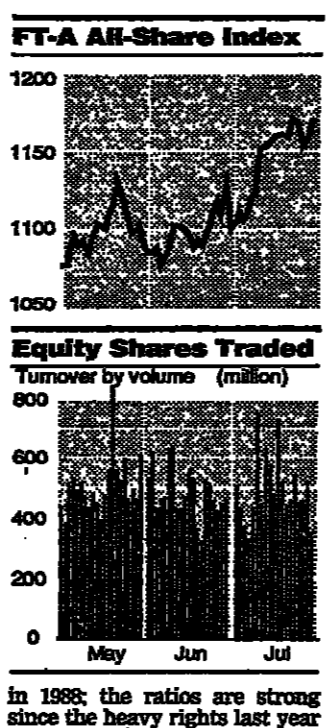
Among the day's special features was the arrival of a £73m rights issue from Automated Security Holdings.

FINANCIAL TIMES STOCK INDICES table with columns for various indices like Government Securities, Fixed Interest, Ordinary Shares, Gold Mines, FT-SE 100 Share, etc.

Muted response to ICI

The interim report from ICI eventually failed to please the market, although the pre-tax profit figure was up to expectations.

7.1m while Shell held at 420p on 4.1m. Racals bounce. The Racal twins staged a useful rally after their recent underperformance.



eral insurance company, from La Fondraira. Specialist that Midsummer Leisure is about to make an offer for Leisure International.

£46m for RMC's Lander alarms division and £74m for Group 4 Alarms. Contract Techniques shares also came under strong downward pressure.

TRADING VOLUME IN MAJOR STOCKS

Table showing trading volume for major stocks including BHP, British Petroleum, ICI, etc.

At the close, ICI shares contrasted with the rest of the market showing a net gain on the day of one p to 1254p.

But in a comprehensive review of the telephone networks, another breaking house, County NatWest Woodman, says its "major recommendation is to sell Racal Telecom."

Shares of Morgan Grenfell, the merchant bank, took off on another run, closing 15 higher at 315p as dealers reported further stories that a bid for the bank could be on the way.

At the moment most dealers believe Boots has got more to offer than the 400p share currently on the table.

Food retailers were also in demand, most notably Sainsbury, which formed 7 to 274p as nearly 2m shares changed hands.

The market's thinking is, said traders, that if the Hoyle bid runs into trouble with the Monopolies and Mergers Commission...

British Gas shares were among the market's busiest, counters with some 14m shares changing hands in what was described as a very active two-way market.

There were widespread gains throughout insurance. Royal Insurance moved up 5 1/2 to 300p after news of its expansion project into the Italian market with the 89m purchase of Lloyd Italiano, a general insurance company.

Among the rare declines were Storehouse, already troubled by Monday's huge downgrading from broker James Capel.

News that Automated Security Holdings (ASH) was launching two expansion moves in the UK alarms business and reducing borrowings via a £78m rights issue...

FT LAW REPORTS

Tax relief for film investor

ENSIGN TANKERS (LEASING) LTD v STOKES Chancery Division: Mr Justice Millett July 14 1989. A CORPORATE partner which invests in a limited partnership is entitled to first-year allowance for capital expenditure on plant if the partnership is trading in that it enters into a transaction which, though deliberately structured to achieve the tax advantage...

APPOINTMENTS

British Telecom changes. BRITISH TELECOM has appointed Mr Peter Skinner as director of mobile communications from August 1. He was director network products and operations, and succeeds Mr John Carrington, who has been appointed president, BT Inc. looking after North American operations.

appointed chief executive, HILL SAMUEL LIFE ASSURANCE from August 21. He was corporate finance director of Lovdens Queensway. Hill Samuel Investment Advisors has appointed the following directors: Ms Anne Halloran, US marketing and client servicing; Mr Hamish Parker, European equities; Mr Tim Sanderson, Pacific Basin equities.

His Lordship said that Ensign was a member of the Thomas Tilling group of companies. On July 14 1989 it entered into a limited partnership, called the Victory Film Production Ltd, as general partner, and Ensign and four other companies as limited partners.

Where a partnership entered into a commercial transaction with a view to profit, could it fairly be regarded as carrying on a trade even if (i) it obtained the necessary finance from investors who were primarily motivated by fiscal advantages rather than commercial profit; and (ii) the transaction itself was deliberately structured to secure the fiscal advantage without ceasing to be commercial or jeopardising the prospects of profit?

Rachel Davies Barrister

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your Unit Trust Code Booklet ring the FT Cityline help desk on 01-625-2128

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Trust, Abacus Unit Trust, Abchurch Lane Unit Trust, etc., with columns for name, manager, and price.

Table listing various unit trusts such as Acton Unit Trust, Acton Park Unit Trust, Acton Valley Unit Trust, etc., with columns for name, manager, and price.

Table listing various unit trusts such as Acton Valley Unit Trust, Acton Valley Unit Trust, Acton Valley Unit Trust, etc., with columns for name, manager, and price.

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GUIDE TO UNIT TRUST PRICING. This section explains the pricing structure of unit trusts, including the difference between bid and offer prices, and the role of the unit trust manager.

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your Unit Trust Code Booklet ring the FT Cityline help desk on 01-825-2128

Main table containing unit trust information with columns for Name, Price, and other details. Includes sub-sections for 'OTHER UK UNIT TRUSTS' and 'INSURANCES'.

OTHER UK UNIT TRUSTS

Table listing various UK unit trusts such as Balfour Gifford & Co Ltd, Charles & Charles, Edinburgh Fund Mgmt PLC, etc.

INSURANCES

Table listing insurance-related unit trusts and companies, including AA Friendly Society, Abbey Life Assurance Co Ltd, etc.

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-1238

Main table containing unit trust information with columns for Name, Price, Yield, and other financial metrics. Includes sub-sections for 'MANAGEMENT SERVICES', 'OFFSHORE AND OVERSEAS', 'GUERNSEY (SIS RECOGNISED)', 'LUXEMBOURG (SIS RECOGNISED)', and 'JERSEY (SIS RECOGNISED)'.

OFFSHORE AND OVERSEAS

GUERNSEY (SIS RECOGNISED)

MANAGEMENT SERVICES

LUXEMBOURG (SIS RECOGNISED)

JERSEY (SIS RECOGNISED)

JERSEY (\*\*)

SWITZERLAND (SIS RECOGNISED)

GUERNSEY (\*\*)



FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

Table of FT Unit Trust Information Service, listing various unit trusts with columns for Name, Price, Yield, and other financial metrics.

Table of LONDON SHARE SERVICE, listing various share funds with columns for Name, Price, Yield, and other financial metrics.

Table of Money Market Bank Accounts, listing various bank accounts with columns for Name, Price, Yield, and other financial metrics.

UNIT TRUST NOTES: Please note that the actual rate of return on any unit trust investment will vary from the rate shown in this table.

LONDON SHARE SERVICE

AMERICANS - Contd

Table listing American stocks with columns for Stock, Price, and % Change.

BUILDING, TIMBER, ROADS - Contd

Table listing Building, Timber, and Roads stocks with columns for Stock, Price, and % Change.

DRAPERY AND STORES - Contd

Table listing Drapery and Stores stocks with columns for Stock, Price, and % Change.

ENGINEERING - Contd

Table listing Engineering stocks with columns for Stock, Price, and % Change.

INDUSTRIALS (Misc.) - Contd

Table listing Industrial (Miscellaneous) stocks with columns for Stock, Price, and % Change.

INDUSTRIALS (Misc.) - Contd

Table listing Industrial (Miscellaneous) stocks with columns for Stock, Price, and % Change.

CANADIANS

Table listing Canadian stocks with columns for Stock, Price, and % Change.

ELECTRICALS

Table listing Electrical stocks with columns for Stock, Price, and % Change.

FOOD, GROCERIES, ETC

Table listing Food, Groceries, and other stocks with columns for Stock, Price, and % Change.

INDUSTRIALS (Misc.) - Contd

Table listing Industrial (Miscellaneous) stocks with columns for Stock, Price, and % Change.

INDUSTRIALS (Misc.) - Contd

Table listing Industrial (Miscellaneous) stocks with columns for Stock, Price, and % Change.

INDUSTRIALS (Misc.) - Contd

Table listing Industrial (Miscellaneous) stocks with columns for Stock, Price, and % Change.

BANKS, HP & LEASING

Table listing Banks, Hire Purchase, and Leasing stocks with columns for Stock, Price, and % Change.

CHEMICALS, PLASTICS

Table listing Chemical and Plastic stocks with columns for Stock, Price, and % Change.

DRAPERY AND STORES

Table listing Drapery and Stores stocks with columns for Stock, Price, and % Change.

INDUSTRIALS (Misc.) - Contd

Table listing Industrial (Miscellaneous) stocks with columns for Stock, Price, and % Change.

INDUSTRIALS (Misc.) - Contd

Table listing Industrial (Miscellaneous) stocks with columns for Stock, Price, and % Change.

INDUSTRIALS (Misc.) - Contd

Table listing Industrial (Miscellaneous) stocks with columns for Stock, Price, and % Change.

BEERS, WINES & SPIRITS

Table listing Beer, Wine, and Spirit stocks with columns for Stock, Price, and % Change.

DRAPERY AND STORES

Table listing Drapery and Stores stocks with columns for Stock, Price, and % Change.

INDUSTRIALS (Misc.) - Contd

Table listing Industrial (Miscellaneous) stocks with columns for Stock, Price, and % Change.

INDUSTRIALS (Misc.) - Contd

Table listing Industrial (Miscellaneous) stocks with columns for Stock, Price, and % Change.

INDUSTRIALS (Misc.) - Contd

Table listing Industrial (Miscellaneous) stocks with columns for Stock, Price, and % Change.

INDUSTRIALS (Misc.) - Contd

Table listing Industrial (Miscellaneous) stocks with columns for Stock, Price, and % Change.

BUILDING, TIMBER, ROADS

Table listing Building, Timber, and Roads stocks with columns for Stock, Price, and % Change.

INDUSTRIALS (Misc.) - Contd

Table listing Industrial (Miscellaneous) stocks with columns for Stock, Price, and % Change.

INDUSTRIALS (Misc.) - Contd

Table listing Industrial (Miscellaneous) stocks with columns for Stock, Price, and % Change.

INDUSTRIALS (Misc.) - Contd

Table listing Industrial (Miscellaneous) stocks with columns for Stock, Price, and % Change.

INDUSTRIALS (Misc.) - Contd

Table listing Industrial (Miscellaneous) stocks with columns for Stock, Price, and % Change.

INSURANCES

Table listing Insurance stocks with columns for Stock, Price, and % Change.

LONDON SHARE SERVICE

Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-525-2128

INSURANCES - Contd

Table listing insurance companies and their share prices, including details like '1989 High', '1989 Low', 'Stock', 'Price', 'Div', 'Yield', and 'P/E'.

LEISURE

Table listing leisure-related companies and their share prices, including details like '1989 High', '1989 Low', 'Stock', 'Price', 'Div', 'Yield', and 'P/E'.

MOTORS, AIRCRAFT TRADES

Table listing motor and aircraft trade companies and their share prices, including details like '1989 High', '1989 Low', 'Stock', 'Price', 'Div', 'Yield', and 'P/E'.

Commercial Vehicles

Table listing commercial vehicle companies and their share prices, including details like '1989 High', '1989 Low', 'Stock', 'Price', 'Div', 'Yield', and 'P/E'.

Garages and Distributors

Table listing garage and distributor companies and their share prices, including details like '1989 High', '1989 Low', 'Stock', 'Price', 'Div', 'Yield', and 'P/E'.

NEWSPAPERS, PUBLISHERS

Table listing newspaper and publisher companies and their share prices, including details like '1989 High', '1989 Low', 'Stock', 'Price', 'Div', 'Yield', and 'P/E'.

PAPER, PRINTING, ADVERTISING - Contd

Table listing paper, printing, and advertising companies and their share prices, including details like '1989 High', '1989 Low', 'Stock', 'Price', 'Div', 'Yield', and 'P/E'.

PROPERTY

Table listing property-related companies and their share prices, including details like '1989 High', '1989 Low', 'Stock', 'Price', 'Div', 'Yield', and 'P/E'.

SHIPPING

Table listing shipping companies and their share prices, including details like '1989 High', '1989 Low', 'Stock', 'Price', 'Div', 'Yield', and 'P/E'.

SHOES AND LEATHER

Table listing shoes and leather companies and their share prices, including details like '1989 High', '1989 Low', 'Stock', 'Price', 'Div', 'Yield', and 'P/E'.

SOUTH AFRICANS

Table listing South African companies and their share prices, including details like '1989 High', '1989 Low', 'Stock', 'Price', 'Div', 'Yield', and 'P/E'.

TEXTILES

Table listing textile companies and their share prices, including details like '1989 High', '1989 Low', 'Stock', 'Price', 'Div', 'Yield', and 'P/E'.

TOBACCO

Table listing tobacco companies and their share prices, including details like '1989 High', '1989 Low', 'Stock', 'Price', 'Div', 'Yield', and 'P/E'.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land companies and their share prices, including details like '1989 High', '1989 Low', 'Stock', 'Price', 'Div', 'Yield', and 'P/E'.

Investment Trusts

Table listing investment trusts and their share prices, including details like '1989 High', '1989 Low', 'Stock', 'Price', 'Div', 'Yield', and 'P/E'.

Finance, Land, etc

Table listing finance, land, and other companies and their share prices, including details like '1989 High', '1989 Low', 'Stock', 'Price', 'Div', 'Yield', and 'P/E'.

TRUSTS, FINANCE, LAND - Contd

Table listing trusts, finance, and land companies (continued) and their share prices, including details like '1989 High', '1989 Low', 'Stock', 'Price', 'Div', 'Yield', and 'P/E'.

Finance, Land, etc

Table listing finance, land, and other companies (continued) and their share prices, including details like '1989 High', '1989 Low', 'Stock', 'Price', 'Div', 'Yield', and 'P/E'.

OIL AND GAS - Contd

Table listing oil and gas companies and their share prices, including details like '1989 High', '1989 Low', 'Stock', 'Price', 'Div', 'Yield', and 'P/E'.

OVERSEAS TRADERS

Table listing overseas traders and their share prices, including details like '1989 High', '1989 Low', 'Stock', 'Price', 'Div', 'Yield', and 'P/E'.

PLANTATIONS

Table listing plantation companies and their share prices, including details like '1989 High', '1989 Low', 'Stock', 'Price', 'Div', 'Yield', and 'P/E'.

MINES

Table listing mining companies and their share prices, including details like '1989 High', '1989 Low', 'Stock', 'Price', 'Div', 'Yield', and 'P/E'.

Far West Rand

Table listing Far West Rand mining companies and their share prices, including details like '1989 High', '1989 Low', 'Stock', 'Price', 'Div', 'Yield', and 'P/E'.

O.F.S.

Table listing O.F.S. companies and their share prices, including details like '1989 High', '1989 Low', 'Stock', 'Price', 'Div', 'Yield', and 'P/E'.

Diamond and Platinum

Table listing diamond and platinum companies and their share prices, including details like '1989 High', '1989 Low', 'Stock', 'Price', 'Div', 'Yield', and 'P/E'.

Central African

Table listing Central African companies and their share prices, including details like '1989 High', '1989 Low', 'Stock', 'Price', 'Div', 'Yield', and 'P/E'.

Finance

Table listing finance companies and their share prices, including details like '1989 High', '1989 Low', 'Stock', 'Price', 'Div', 'Yield', and 'P/E'.

MINES - Contd

Table listing mining companies (continued) and their share prices, including details like '1989 High', '1989 Low', 'Stock', 'Price', 'Div', 'Yield', and 'P/E'.

Miscellaneous

Table listing miscellaneous companies and their share prices, including details like '1989 High', '1989 Low', 'Stock', 'Price', 'Div', 'Yield', and 'P/E'.

THIRD MARKET

Table listing third market companies and their share prices, including details like '1989 High', '1989 Low', 'Stock', 'Price', 'Div', 'Yield', and 'P/E'.

NOTES

Stock Exchange dealing classifications are indicated in the right of security names... (Detailed notes regarding share prices and market conditions)

REGIONAL & IRISH STOCKS

Table listing regional and Irish stocks and their share prices, including details like '1989 High', '1989 Low', 'Stock', 'Price', 'Div', 'Yield', and 'P/E'.

TRADITIONAL OPTIONS

Table listing traditional options and their prices, including details like '3-month call rates' and various option types.

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £965 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

US dollar loses ground

THE US dollar finished down from Wednesday's closing levels but up from yesterday's lows. The US unit was pushed lower initially on news that US second quarter provisional Gross National Product rose by just 1.7 per cent from a downward revision in the first quarter increase to 3.7 per cent from 4.4 per cent.

The dollar's softer tone was finally established earlier in the day as trading in the Far East underlined a bearish sentiment which suggests that the US Federal Reserve is pursuing a policy of looser monetary conditions. However, the US unit appears to be well overdone according to some traders, which raises the prospect of some sort of technical rebound.

In addition, investors remained wary about the level of US inflation. This was measured at showing a 4.9 per cent increase in the second quarter compared with 4.0 per cent in the first quarter.

The dollar closed at DM1.8690 from DM1.8740 and Y138.85 from Y140.55. Elsewhere, it finished at Sfr1.6075 from Sfr1.6130 and FFf6.3475 from FFf6.3500.

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns for Currency, Unit, and Rate. Includes entries for British Franc, Dutch Guilder, French Franc, Italian Lira, Spanish Peseta, and German Mark.

STERLING INDEX

Table showing Sterling Index values for various currencies and dates. Columns include Date, Index, and Change.

CURRENCY RATES

Table of currency rates for various countries including Australia, Canada, Hong Kong, Japan, New Zealand, Singapore, South Africa, Switzerland, Taiwan, and the UK.

CURRENCY MOVEMENTS

Table showing currency movements for Sterling, US Dollar, Canadian Dollar, Australian Dollar, Hong Kong Dollar, Japanese Yen, New Zealand Dollar, Singapore Dollar, South African Rand, Swiss Franc, and Taiwan Dollar.

OTHER CURRENCIES

Table of other currencies including Argentina, Brazil, Chile, Colombia, Ecuador, Greece, India, Israel, Korea, Malaysia, Mexico, Pakistan, Philippines, South Korea, Thailand, and the US Dollar.

EXCHANGE CROSS RATES

Table of exchange cross rates for various currencies including DM, Yen, Sfr, and others.

FINANCIAL FUTURES

Bullish tone retained

SHORT STERLING futures finished down from the day's highs in Liffe trading yesterday but up from the close on Wednesday. The September contract opened higher at 86.48 from 86.42 and touched a high of 86.54 before slipping back to 86.45 at the close.

Elsewhere, the D-Mark lost ground against the yen, as the latter recovered on profit taking. The D-Mark finished in London at Y74.28 from Y75.01 on Wednesday.

Later trading in New York saw the dollar recover on continued short-covering. Much of the recovery was based on short term investors covering positions after the US unit failed to prolong an initial weaker trend.

LIFFE LIBER CASH FUTURES

Table of Liffe Liber Cash Futures for various currencies including Sterling, D-Mark, Yen, and others.

LIFFE EURO CASH FUTURES

Table of Liffe Euro Cash Futures for various currencies including D-Mark, Yen, and others.

LIFFE STERLING FUTURES

Table of Liffe Sterling Futures for various contracts including September, December, and March.

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any opportunity to relate optimism into position taking is likely to show through in the December contract. Here the price rose by eight ticks to 87.95, thus increasing the spread between September and December contracts.

US Treasury bond futures appeared to be motivated by the smaller than expected rise in US second quarter GNP

data, preferring to ignore the underlying rise in inflation as measured by the implicit price deflator. Despite this, the mood of the market remains bullish, given recent indications that the US Federal Reserve is allowing interest rates to fall further.

The September US Treasury bond contract rose to 98-00 from 97-27 at the start and 97-25 on Wednesday.

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POUND SPOT - FORWARD AGAINST THE POUND

Table of Pound Spot and Forward rates against the pound for various currencies including US Dollar, D-Mark, Yen, and others.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Table of Dollar Spot and Forward rates against the dollar for various currencies including British Franc, D-Mark, Yen, and others.

EURO CURRENCY INTEREST RATES

Table of Euro Currency Interest Rates for various currencies including D-Mark, Yen, and others.

NEW YORK

Table of New York market data including Treasury Bills, Treasury Notes, and Treasury Bonds.

LONDON MONEY RATES

Table of London Money Rates for various currencies including D-Mark, Yen, and others.

FT LONDON INTERBANK FIXING

Table of FT London Interbank Fixing for various currencies including D-Mark, Yen, and others.

MONEY RATES

Table of Money Rates for various currencies including D-Mark, Yen, and others.

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Advertisement for Die Erste österreichische Spar-Casse-Bank, featuring US\$50,000,000 Subordinated Floating Rate Notes Due January 1992.

Advertisement for GRANVILLE SPONSORED SECURITIES, listing various stocks and their prices.

Advertisement for CITICORP BANKING CORPORATION, offering U.S. \$50,000,000 Floating Rate Notes due July 29, 1991.

Advertisement for JOTTER PAD, a small notepad.

CROSSWORD No.6,997 Set by CINEPHILE, featuring a crossword puzzle grid.

ACROSS and DOWN crossword clues, including 'Indonesian who goes further north when President replaces Vice (8)' and 'Walk unsteadily from singular mess (7)'.



2pm prices July 27

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

High	Low	Stock	Chg.	High	Low	Stock	Chg.	High	Low	Stock	Chg.	High	Low	Stock	Chg.	High	Low	Stock	Chg.	High	Low	Stock	Chg.
35 1/4	34 1/4	AAE	+	19 1/4	19	AAE	+	10 1/4	10 1/4	AAE	+	5 1/4	5 1/4	AAE	+	2 1/4	2 1/4	AAE	+	1 1/4	1 1/4	AAE	+
34 3/4	34 3/4	ACB	+	18 3/4	18 3/4	ACB	+	9 3/4	9 3/4	ACB	+	4 3/4	4 3/4	ACB	+	1 3/4	1 3/4	ACB	+	1/2	1/2	ACB	+
34 1/2	34 1/2	ACM	+	18 1/2	18 1/2	ACM	+	9 1/2	9 1/2	ACM	+	4 1/2	4 1/2	ACM	+	1 1/2	1 1/2	ACM	+	1/2	1/2	ACM	+
34 1/4	34 1/4	ADM	+	18 1/4	18 1/4	ADM	+	9 1/4	9 1/4	ADM	+	4 1/4	4 1/4	ADM	+	1 1/4	1 1/4	ADM	+	1/2	1/2	ADM	+
34 3/8	34 3/8	ADP	+	18 3/8	18 3/8	ADP	+	9 3/8	9 3/8	ADP	+	4 3/8	4 3/8	ADP	+	1 3/8	1 3/8	ADP	+	1/2	1/2	ADP	+
34 1/8	34 1/8	ADRI	+	18 1/8	18 1/8	ADRI	+	9 1/8	9 1/8	ADRI	+	4 1/8	4 1/8	ADRI	+	1 1/8	1 1/8	ADRI	+	1/2	1/2	ADRI	+
34 1/4	34 1/4	ADT	+	18 1/4	18 1/4	ADT	+	9 1/4	9 1/4	ADT	+	4 1/4	4 1/4	ADT	+	1 1/4	1 1/4	ADT	+	1/2	1/2	ADT	+
34 1/2	34 1/2	ADG	+	18 1/2	18 1/2	ADG	+	9 1/2	9 1/2	ADG	+	4 1/2	4 1/2	ADG	+	1 1/2	1 1/2	ADG	+	1/2	1/2	ADG	+
34 3/4	34 3/4	ADH	+	18 3/4	18 3/4	ADH	+	9 3/4	9 3/4	ADH	+	4 3/4	4 3/4	ADH	+	1 3/4	1 3/4	ADH	+	1/2	1/2	ADH	+
34 1/4	34 1/4	ADI	+	18 1/4	18 1/4	ADI	+	9 1/4	9 1/4	ADI	+	4 1/4	4 1/4	ADI	+	1 1/4	1 1/4	ADI	+	1/2	1/2	ADI	+
34 3/8	34 3/8	ADJ	+	18 3/8	18 3/8	ADJ	+	9 3/8	9 3/8	ADJ	+	4 3/8	4 3/8	ADJ	+	1 3/8	1 3/8	ADJ	+	1/2	1/2	ADJ	+
34 1/8	34 1/8	ADK	+	18 1/8	18 1/8	ADK	+	9 1/8	9 1/8	ADK	+	4 1/8	4 1/8	ADK	+	1 1/8	1 1/8	ADK	+	1/2	1/2	ADK	+
34 1/4	34 1/4	ADL	+	18 1/4	18 1/4	ADL	+	9 1/4	9 1/4	ADL	+	4 1/4	4 1/4	ADL	+	1 1/4	1 1/4	ADL	+	1/2	1/2	ADL	+
34 3/4	34 3/4	ADM	+	18 3/4	18 3/4	ADM	+	9 3/4	9 3/4	ADM	+	4 3/4	4 3/4	ADM	+	1 3/4	1 3/4	ADM	+	1/2	1/2	ADM	+
34 1/4	34 1/4	ADN	+	18 1/4	18 1/4	ADN	+	9 1/4	9 1/4	ADN	+	4 1/4	4 1/4	ADN	+	1 1/4	1 1/4	ADN	+	1/2	1/2	ADN	+
34 3/8	34 3/8	ADO	+	18 3/8	18 3/8	ADO	+	9 3/8	9 3/8	ADO	+	4 3/8	4 3/8	ADO	+	1 3/8	1 3/8	ADO	+	1/2	1/2	ADO	+
34 1/8	34 1/8	ADP	+	18 1/8	18 1/8	ADP	+	9 1/8	9 1/8	ADP	+	4 1/8	4 1/8	ADP	+	1 1/8	1 1/8	ADP	+	1/2	1/2	ADP	+
34 1/4	34 1/4	ADQ	+	18 1/4	18 1/4	ADQ	+	9 1/4	9 1/4	ADQ	+	4 1/4	4 1/4	ADQ	+	1 1/4	1 1/4	ADQ	+	1/2	1/2	ADQ	+
34 3/4	34 3/4	ADR	+	18 3/4	18 3/4	ADR	+	9 3/4	9 3/4	ADR	+	4 3/4	4 3/4	ADR	+	1 3/4	1 3/4	ADR	+	1/2	1/2	ADR	+
34 1/4	34 1/4	ADU	+	18 1/4	18 1/4	ADU	+	9 1/4	9 1/4	ADU	+	4 1/4	4 1/4	ADU	+	1 1/4	1 1/4	ADU	+	1/2	1/2	ADU	+
34 3/8	34 3/8	ADV	+	18 3/8	18 3/8	ADV	+	9 3/8	9 3/8	ADV	+	4 3/8	4 3/8	ADV	+	1 3/8	1 3/8	ADV	+	1/2	1/2	ADV	+
34 1/8	34 1/8	ADW	+	18 1/8	18 1/8	ADW	+	9 1/8	9 1/8	ADW	+	4 1/8	4 1/8	ADW	+	1 1/8	1 1/8	ADW	+	1/2	1/2	ADW	+
34 1/4	34 1/4	ADX	+	18 1/4	18 1/4	ADX	+	9 1/4	9 1/4	ADX	+	4 1/4	4 1/4	ADX	+	1 1/4	1 1/4	ADX	+	1/2	1/2	ADX	+
34 3/4	34 3/4	ADY	+	18 3/4	18 3/4	ADY	+	9 3/4	9 3/4	ADY	+	4 3/4	4 3/4	ADY	+	1 3/4	1 3/4	ADY	+	1/2	1/2	ADY	+
34 1/4	34 1/4	ADZ	+	18 1/4	18 1/4	ADZ	+	9 1/4	9 1/4	ADZ	+	4 1/4	4 1/4	ADZ	+	1 1/4	1 1/4	ADZ	+	1/2	1/2	ADZ	+
34 3/8	34 3/8	ADA	+	18 3/8	18 3/8	ADA	+	9 3/8	9 3/8	ADA	+	4 3/8	4 3/8	ADA	+	1 3/8	1 3/8	ADA	+	1/2	1/2	ADA	+
34 1/8	34 1/8	ADB	+	18 1/8	18 1/8	ADB	+	9 1/8	9 1/8	ADB	+	4 1/8	4 1/8	ADB	+	1 1/8	1 1/8	ADB	+	1/2	1/2	ADB	+
34 1/4	34 1/4	ADC	+	18 1/4	18 1/4	ADC	+	9 1/4	9 1/4	ADC	+	4 1/4	4 1/4	ADC	+	1 1/4	1 1/4	ADC	+	1/2	1/2	ADC	+
34 3/4	34 3/4	ADD	+	18 3/4	18 3/4	ADD	+	9 3/4	9 3/4	ADD	+	4 3/4	4 3/4	ADD	+	1 3/4	1 3/4	ADD	+	1/2	1/2	ADD	+
34 1/4	34 1/4	ADE	+	18 1/4	18 1/4	ADE	+	9 1/4	9 1/4	ADE	+	4 1/4	4 1/4	ADE	+	1 1/4	1 1/4	ADE	+	1/2	1/2	ADE	+
34 3/8	34 3/8	ADF	+	18 3/8	18 3/8	ADF	+	9 3/8	9 3/8	ADF	+	4 3/8	4 3/8	ADF	+	1 3/8	1 3/8	ADF	+	1/2	1/2	ADF	+
34 1/8	34 1/8	ADG	+	18 1/8	18 1/8	ADG	+	9 1/8	9 1/8	ADG	+	4 1/8	4 1/8	ADG	+	1 1/8	1 1/8	ADG	+	1/2	1/2	ADG	+
34 1/4	34 1/4	ADH	+	18 1/4	18 1/4	ADH	+	9 1/4	9 1/4	ADH	+	4 1/4	4 1/4	ADH	+	1 1/4	1 1/4	ADH	+	1/2	1/2	ADH	+
34 3/4	34 3/4	ADI	+	18 3/4	18 3/4	ADI	+	9 3/4	9 3/4	ADI	+	4 3/4	4 3/4	ADI	+	1 3/4	1 3/4	ADI	+	1/2	1/2	ADI	+
34 1/4	34 1/4	ADJ	+	18 1/4	18 1/4	ADJ	+	9 1/4	9 1/4	ADJ	+	4 1/4	4 1/4	ADJ	+	1 1/4	1 1/4	ADJ	+	1/2	1/2	ADJ	+
34 3/8	34 3/8	ADK	+	18 3/8	18 3/8	ADK	+	9 3/8	9 3/8	ADK	+	4 3/8	4 3/8	ADK	+	1 3/8	1 3/8	ADK	+	1/2	1/2	ADK	+
34 1/8	34 1/8	ADL	+	18 1/8	18 1/8	ADL	+	9 1/8	9 1/8	ADL	+	4 1/8	4 1/8	ADL	+	1 1/8	1 1/8	ADL	+	1/2	1/2	ADL	+
34 1/4	34 1/4	ADM	+	18 1/4	18 1/4	ADM	+	9 1/4	9 1/4	ADM	+	4 1/4	4 1/4	ADM	+	1 1/4	1 1/4	ADM	+	1/2	1/2	ADM	+
34 3/4	34 3/4	ADN	+	18 3/4	18 3/4	ADN	+	9 3/4	9 3/4	ADN	+	4 3/4	4 3/4	ADN	+	1 3/4	1 3/4	ADN	+	1/2	1/2	ADN	+
34 1/4	34 1/4	ADO	+	18 1/4	18 1/4	ADO	+	9 1/4	9 1/4	ADO	+	4 1/4	4 1/4	ADO	+	1 1/4	1 1/4	ADO	+	1/2	1/2	ADO	+
34 3/8	34 3/8	ADP	+	18 3/8	18 3/8	ADP	+	9 3/8	9 3/8	ADP	+	4 3/8	4 3/8	ADP	+	1 3/8	1 3/8	ADP	+	1/2	1/2	ADP	+
34 1/8	34 1/8	ADQ	+	18 1/8	18 1/8	ADQ	+	9 1/8	9 1/8	ADQ	+	4 1/8	4 1/8	ADQ	+	1 1/8	1 1/8	ADQ	+	1/2	1/2	ADQ	+
34 1/4	34 1/4	ADR	+	18 1/4	18 1/4	ADR	+	9 1/4	9 1/4	ADR	+	4 1/4	4 1/4	ADR	+	1 1/4	1 1/4	ADR	+	1/2	1/2	ADR	+
34 3/4	34 3/4	ADU	+	18 3/4	18 3/4	ADU	+	9 3/4	9 3/4	ADU	+	4 3/4	4 3/4	ADU	+	1 3/4	1 3/4	ADU	+	1/2	1/2	ADU	+
34 1/4	34 1/4	ADV	+	18 1/4	18 1/4	ADV	+	9 1/4	9 1/4	ADV	+	4 1/4	4 1/4	ADV	+	1 1/4	1 1/4	ADV	+	1/2	1/2	ADV	+
34 3/8	34 3/8	ADW	+	18 3/8	18 3/8	ADW	+	9 3/8	9 3/8	ADW	+	4 3/8	4 3/8	ADW	+	1 3/8	1 3/8	ADW	+	1/2	1/2	ADW	+
34 1/8	34 1/8	ADX	+	18 1/8	18 1/8	ADX	+	9 1/8	9 1/8	ADX	+	4 1/8	4 1/8	ADX	+	1 1/8	1 1/8	ADX	+	1/2	1/2	ADX	+
34 1/4	34 1/4	ADY	+	18 1/4	18 1/4	ADY	+	9 1/4	9 1/4	ADY	+	4 1/4	4 1/4	ADY	+	1 1/4	1 1/4	ADY	+	1/2	1/2	ADY	+
34 3/4	34 3/4	ADZ	+	18 3/4	18 3/4	ADZ	+	9 3/4	9 3/4	ADZ	+	4 3/4	4 3/4	ADZ	+	1 3/4	1 3/4	ADZ	+	1/2	1/2	ADZ	+
34 1/4	34 1/4	ADA	+	18 1/4	18 1/4	ADA	+	9 1/4	9 1/4	ADA	+	4 1/4	4 1/4	ADA	+	1 1/4	1 1/4	ADA	+	1/2	1/2	ADA	+
34 3/8	34 3/8	ADB	+	18 3/8	18 3/8	ADB	+	9 3/8	9 3/8	ADB	+	4 3/8	4 3/8	ADB	+	1 3/8	1 3/8	ADB	+	1/2	1/2	ADB	+
34 1/8	34 1/8	ADC	+	18 1/8	18 1/8	ADC	+	9 1/8	9 1/8	ADC	+	4 1/8	4 1/8	ADC	+	1 1/8	1 1/8	ADC	+	1/2	1/2	ADC	+
34 1/4	34 1/4	ADD	+	18 1/4	18 1/4	ADD	+	9 1/4	9 1/4	ADD	+	4 1/4	4 1/4	ADD	+	1 1/4	1 1/4	ADD	+	1/2	1/2	ADD	+
34 3/4	34 3/4	ADE	+	18 3/4	18 3/4	ADE	+	9 3/4	9 3/4	ADE	+	4 3/4	4 3/4	ADE	+	1 3/4	1 3/4	ADE	+	1/2	1/2	ADE	+
34 1/4	34 1/4	ADF	+	18 1/4	18 1/4	ADF	+	9 1															

NYSE COMPOSITE PRICES

Table of NYSE Composite Prices with columns for stock symbols, prices, and changes. Includes a detailed table of stock prices and a summary table at the bottom.

OVER-THE-COUNTER

Nasdaq national market, 2pm prices July 27

Table of Over-the-Counter prices with columns for stock symbols, prices, and changes. Includes a detailed table of stock prices and a summary table at the bottom.

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AMERICA

GNP figures prompt further gains

Wall Street

SECOND quarter gross national product figures released yesterday confirmed a deceleration in the economy and helped the equity market advance from Wednesday's highs, writes Janet Bush in New York.

While the Dow Jones Industrial Average is still about 4 per cent below its all-time high set in August 1987, the broadly-based Standard & Poor's 500 index is trading easily above its record highs.

Equities were underpinned by yesterday's second quarter GNP figures which showed a little more weakness in the economy than had been expected. GNP rose 1.7 per cent in



the second quarter compared with forecasts of 2 per cent, while first quarter growth was revised down to a 3.7 per cent rise from 4.4 per cent previously reported.

EUROPE

Paris steps up smartly as Frankfurt consolidates

MOST bourses ended higher in fairly active volume but profit-taking left Frankfurt slightly weaker, writes Our Markets Staff.

PARIS rose briskly, boosted by Wall Street's strength and international and domestic buying of selected stocks. The OMF 50 index closed at a day's high of 511.50, up 5.33, and the CAC 40 real time index was up 24.70 at 1,815.85.

earlier. The FAZ index, which reflects mid-session trading, was off 2.07 at 643.52. Turnover was active at DM5.5bn but less than the previous day's levels.

The market's recent rally to the emergence in West Germany of the "Japanese view", where investors study companies' asset values rather than published earnings. By this reckoning, shares of building companies and retailers, for example, look fairly cheap and have consequently attracted buyers.

less than forecast and, in spite of the fact that both accelerated from the first three months of the year, markets do not appear to be seriously concerned. They appear to have accepted the view of Mr Alan Greenspan, Fed chairman, that the substantial price gains of the first half were attributable largely to supply conditions in the food and energy sectors, and were temporary.

Also fuelling buying of equities has been this week's easing of the Fed Funds rate to between 9 and 9 1/4 per cent from the previous 9 1/2 to 9 3/4 per cent. There may be room for a further 1/4 point easing before the August 22 meeting of the Federal Open Market Committee.

Speculative takeover fever continued to influence the market's strength. The main news yesterday was the agreement to merge Bristol-Myers and Squibb into a health care company with combined 1988 annual sales of \$8.6bn. Under the agreement, Squibb will be merged with Bristol-Myers through a take-over exchange of shares.

The implicit price deflator rose by a 4.9 per cent annual rate compared with 4.0 per cent in the first quarter while the fixed weight index rose by 5.3 per cent from a 4.6 per cent rate in the first quarter. Both indices rose by slightly

adjusted to include the new stocks. United Telecommunications jumped 3 3/4% to \$73 1/2, while Teco Laboratories added 1 1/4% to \$44.

Paramount Communications added 1 1/4% to \$69 on reports that the company is close to selling its financial services subsidiary Associates Corp for between \$3bn and \$4bn.

Chrysler dropped 1 1/4% to \$24, having added \$2 1/2% on Wednesday when rumours of a restructuring swept the market. The company was due to meet managers yesterday to discuss ways of cutting costs.

Philip Morris added to this week's considerable gains with a rise of 3/4% to \$157 1/2. Coca-Cola, another strong performer this week, added 3/4% to \$64 but IBM was down 3/4% at \$112.

Canada THE US GNP figures prompted serious buying in Toronto. The composite index rose 26.7 to 3,961.9 with advances ahead of declines.

The Nikkei average climbed above the all-time high reached just two days before, on Tuesday, to finish at 34,785.28, up a hefty 369.45 points.

Political tremors unsettle Bombay R.C. Murthy explains this week's sharp setback in share prices

THE 70 kph gale that lashed Bombay at the weekend caused widespread damage although the city was not in the eye of the storm. More serious for the stock market were the political tremors, with the epicentre in New Delhi, which have rocked the exchanges and unsettled a programme of capital issues.

Bombay Stock Exchange reacted bearishly as opposition parties demanded the resignation of Mr Rajiv Gandhi, the Prime Minister, after a report by the Comptroller and Auditor-General raised questions over the \$1bn Howitzer deal with Bofors of Sweden.

The position parties had blocked proceedings since Parliament reassembled on July 17 for the so-called monsoon session, and this was followed by the resignation of 85 opposition MPs in the lower house this week. A programme of agitation is planned for August to try to force early elections.

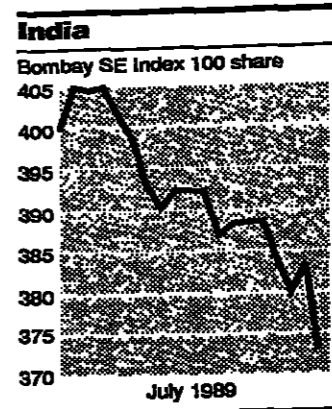
The Bombay stock exchange 30-share index dropped 20 points to 734.17 on Friday and Tuesday (Monday was a holiday) before state investment funds stepped in on Wednesday

and triggered a partial recovery. Yesterday, however, rumours spread that Mr Gandhi had resigned and the market plunged again, losing 20.49 points on the BSE index to 722.64.

The course of events in New Delhi has not gone the way the markets expected. Each time the Bofors contract has come up for discussion over the past two years, the issue has been defused and the Gandhi Government has thwarted opposition moves.

About 80 actively traded shares have borne the brunt of investors' dismay, with the BSE 30-share index down by 9 per cent from its peak of 788.01 on July 5. The 100-share national index, representing all stock exchanges, has fallen by about 8 per cent.

Political uncertainties have overshadowed strong fundamentals, on the basis of which merchant bankers have been planning large public offers of shares and debentures.



On Tuesday, the Bombay Stock Exchange lifted margins by way of cash deposits on sales of 14 speculative shares to 20 per cent from 12.5 per cent and state-owned investment institutions re-entered the market after a lapse of three weeks, making large purchases of Tata Iron and Steel, Tata Engineering and Reliance Industries.

The slide was halted and the 30-share index went up 9 to 743.13 on Wednesday, before dropping again yesterday. Market bulls argue that the ruling congress party has regained the initiative and take comfort from Mr Gandhi's statement that he will choose

the timing of the elections, which have to be held before January. They expect him to rush through parliament certain important bills enhancing the powers of local governments, on which the opposition is on the defensive, to make "power for the people" an important poll plank.

Individual investors are still selling to generate cash for subscriptions to blue chip convertible bond issues in September and October for an estimated Rs30bn (\$1.5bn). Larsen and Toubro, a high technology engineering company that came to the fold of Mr Dhirubhai Amnani last year, is to offer Rs3.3bn in convertible bonds, the largest amount so far, in mid-September.

Merchant bankers are reviewing the public offer schedule of lesser known companies, while some others are reducing the premium of rights issues to make them more attractive. Essar Gujarat and Oswal Group are to issue convertible bonds of some Rs5bn each, in addition to Rs10bn by a dozen other companies.

Many people take the view that companies should tap the market before the elections, whose outcome is uncertain, so that capital expenditure programmes need not be put on hold.

ASIA PACIFIC

Yen rebound pushes Nikkei to all-time high

honing - as well as increased building of high technology buildings - would boost their business. Kinki Electrical Construction surged Y120 at one stage to a record high of Y3,790, closing up Y30 at Y3,760. Kandenko advanced Y120 to Y3,740.

Issues that are sensitive to interest rate fluctuations featured, on expectations that rates would move lower in the near term. Interest focused on trading companies and real estate companies. Mitsui, the large trading company, added Y40 to Y1,190 in active trading and Mitsubishi gained a strong Y60 to Y1,660. Mitsui Real Estate and Sumitomo Realty each firmed Y100 to Y2,710 and Y2,300 respectively and Mitsubishi Estate advanced Y80 to Y2,540.

Tokyo

RIDING on a wave of confidence triggered by the yen's rebound against the dollar, share prices surged to another record high in buoyant trading yesterday, writes Michiko Nakamoto in Tokyo.

The Nikkei average climbed above the all-time high reached just two days before, on Tuesday, to finish at 34,785.28, up a hefty 369.45 points.

Roundup

AN EARLY mood of optimism in the Asia Pacific region gave way to spells of profit-taking in Australia and New Zealand, while Hong Kong and Singapore remained subdued.

AUSTRALIA retreated from the day's high on sustained profit-taking in the afternoon session, but the All Ordinaries index still closed 10.5 points

HONG KONG

attracted the speculators. Hattori Seiko, the maker of watches and clocks, gained Y200 to Y3,050 and Nippon Shinpan, a credit sales company, rose Y90 to a record high of Y1,650.

Interest was seen in real estates, railways and trading houses in Osaka. The OSE average rose 237.37 to 33,993.53 on volume of 141m shares.

NEW ZEALAND

Observers in London yesterday said that there was no mention of this point in the budget; the New Zealand dollar barely moved, and currency dealers found it boring.

HONG KONG virtually went into limbo, in thin and narrow trading, the Hang Seng index rose 4.68 points to 2,493.71, after fluctuating by less than 25 points throughout the day. However, Great Eagle, whose tender won a prime property site in the business district on Wednesday, put on another 10 cents to HK\$3.02.

SINGAPORE was also subdued as speculative buying and bargain-hunting alternated with light profit-taking. Two-digit falls in some component stocks pushed the Straits Times Industrial index down 3.99 points to 1,366.36.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Table with columns for National and Regional Markets, Wednesday July 26 1989, Tuesday July 25 1989, and Dollar Index. Rows list various countries and their respective stock indices and changes.

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